

CURRENT HISTORY

A Journal of Contemporary World Affairs



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"As Mexico slouches from economic meltdown to recalcitrant recovery, several questions loom large in the minds of pundits and investors, Mexicans and foreigners alike: Will President Ernesto Zedillo maintain current economic policy or will he succumb to political pressures and electoral cycles? Will the social fabric unravel or will it withstand the brunt of 'adjustment fatigue'? And is the predicted demise of the PRI likely, or will the party display its traditional resilience?"

Mexico: Uneasy, Uncertain, Unpredictable

DENISE DRESSER

An indigenous uprising, political assassinations, kidnappings, and former President Carlos Salinas de Gortari's dramatic political demise have transformed Mexico into the country of uncertainty. Along with unprecedented political turbulence, Mexico has been wracked by a severe economic crisis, triggered by the December 1994 devaluation of the peso. Gross domestic product fell 10.5 percent in the first months of 1995, over a million people lost their jobs, and tens of thousands of businesses closed, broken by plummeting sales and unpayable debts. This combination of events has contributed to the rapid erosion of the Institutional Revolutionary Party's dominance, loosening the grip PRI has held since its inception in 1929 and opening new avenues of political change. Mexico has undoubtedly embarked on a transition from authoritarian rule, but the final outcome of this process remains unclear.

As Mexico slouches from economic meltdown to recalcitrant recovery, several questions loom large in the minds of pundits and investors, Mexicans and foreigners alike: Will President Ernesto Zedillo maintain current economic policy or will he suc-

cumb to political pressures and electoral cycles? Will the social fabric unravel or will it withstand the brunt of "adjustment fatigue"? And is the predicted demise of the PRI likely, or will the party display its traditional resilience?

THE INVISIBLE PRESIDENCY

Among the most significant political developments to occur in the postcrisis era has been the decline of presidential authority in Mexico. As head of a disciplined, loyal, and united PRI, and at the helm of a system devoid of checks and balances, the president had ruled supreme. However, political and economic turmoil have dismantled many of the sources and instruments of presidential power, including the PRI's unchallenged hegemony. As a result, the Mexican presidency has become much more constrained, and much less omnipotent. The demise of *presidencialismo* is partly the result of economic and political turbulence, but it is also the product of a deliberate decision by the current occupant of the presidential chair, Ernesto Zedillo, who has inaugurated a new presidential style.

Zedillo's immediate response to the political challenges created by the devaluation was to announce what he called the "modernization" of the Mexican presidency. Zedillo's intention has been to transform a historically activist and interventionist presidency into a neutral arbiter and enforcer of the rule of law. He has offered to reduce discretionary policymaking, promote a new federalist pact, decentralize power, and bring an end to the symbiotic relation-

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ship between the presidency and the PRI. Zedillo has argued that a presidential retreat will allow other institutions, such as the judiciary and Congress, to flourish. Zedillo also believes that the legitimacy provided by his relatively clean election has endowed him with a mandate to deepen economic reform, which means subsequent efforts to build popular consensus are not required.

The retrenchment of presidential authority under Zedillo has significant political implications. A leaner presidency is strengthening other political actors, including legislators and opposition party leaders, and contributing to the creation of a more accountable political system. However, Zedillo's seclusion has been criticized as an abdication of responsibility that is creating rather than solving problems. Members of traditional factions in the PRI are taking advantage of a perceived presidential weakness to strengthen their personal fiefdoms in states such as Guerrero, Tabasco, Yucatán, and Puebla. Hard-liners at the helm of several PRI-controlled governorships constantly oppose the president, question his decisions, and jeopardize the governability of their states.

In many geographic regions and in many economic activities, Mexico is still characterized by the existence of powerful *cacicazgos*. The country seems to be witnessing the growing "feudalization" of the PRI, with local power brokers governing their states as they see fit, often resorting to violence, fraud, and repression. To win the 1994 election, Zedillo allied himself with some of the more traditional power brokers within the PRI. As a result, he often appears to be constrained by political commitments and reluctant to push forward a significant political modernization agenda against traditional fiefdoms.

Zedillo's policy preference has been to restore financial stability, and during his first two years in office he has tended to discount—or ignore—the political and economic needs of the ruling party. Consequently, the president has been unable to elicit widespread support from prominent PRI members, and his efforts have repeatedly been blocked by unwilling groups within the political elite. The Zedillo team has frequently underestimated the ferocity of PRI resistance to policy initiatives such as the increase in the value-added tax (IVA) from 10 to 15 percent, the creation of a pension fund system, and the privatization of the petrochemical industry. Within the ranks of the PRI there is growing disaffection with Zedillo and the general thrust of eco-

nomics decision making. In March 1996, 250 PRI congressmen drafted an open letter to the president that called for a rethinking of his economic policies and an end to neoliberalism. During its last assembly in September, the PRI passed a resolution that bars technocrats who have never been elected to public office from running as PRI presidential candidates. Next year could witness the strengthening of groups that call for an unprecedented break with the president and a return to a more populist, center-left political stance.

Zedillo's term has been characterized by erratic policy maneuvers: the president announces a specific policy, is confronted with opposition from affected interests, and as a result, the initiative is abandoned. The president pledged to promote clean elections throughout his term, but then proceeded to support a fraudulently elected PRI governor in the state of Tabasco. Zedillo vowed to establish the "rule of law," and forced the governor of Guerrero to resign for his involvement in the June 1995 massacre of 17 peasants,

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only to subsequently exonerate him. Zedillo launched an attack against the Salinas family, only to later indefinitely postpone investigations into the Salinas' alleged involvement in corruption and assassination scandals. The president promised the inauguration of a "healthy distance" between the presidency and the party, only to recently name an unconditional supporter and traditional PRI hack, Roque Villanueva, as its new head.

These schizophrenic and often contradictory presidential decisions have undermined Zedillo's credibility as a democratic reformer. Given the dilemmas created by the weakening of dominant party rule, the presidency will be a key factor shaping the prospects and limits of the Mexican transition. In the past, Mexico had been unable to fully achieve democratic rule because of the unlimited power of the presidency; in the future, presidential strength will be required to undertake the critical task of institution-building and political control over antireform-minded groups. Zedillo will have to use the presidency to strengthen representative institutions that can order the country's political life and eventually act as counterweights to the presidency and the PRI. The real challenge for Zedillo throughout the remainder of his term will be to strike a balance between what he calls a "modern" presidency and what others perceive as an "invisible" presidency. He needs to decentralize power, but retain enough leadership to sanction and control

members of the old guard who want to defend the prevalence of the PRI as a way of life in Mexico.

THE POWER OF THE BALLOT BOX

While PRI electoral victories were once the norm, and opposition parties occupied a symbolic and secondary role, the reverse is the case today. Competitive elections at the state and municipal level are changing the very nature and functioning of the political system. The PRI is no longer an unchallenged hegemonic party; in almost every area of the country it faces stiff electoral competition, and in all likelihood this trend will become more important.

The center-right opposition National Action Party (PAN) has become the primary beneficiary of the "*voto de castigo*" (punishment vote) against the PRI. As a result of the economic crisis, it is evolving into an electoral force to be reckoned with. PAN has gradually been able to extend its support beyond the confines of the urban middle class and garner a growing number of votes in the countryside. The party's next goal is to win the majority in Congress in 1997 and the presidency in 2000.

In the past PAN had not adopted a clear position on economic or social policy, partly because it did not need to. The party had traditionally been a loyal opposition with few chances of actually governing. That may change in 1997, when for the first time in its history PAN has a real opportunity to gain control of Congress and also win the election for mayor of Mexico City. As that possibility looms larger, PAN will be forced to clarify what its positions are on the exchange rate, monetary policy, inflation, social policy, and redistributive issues.

In the short term, PAN leaders will also have to decide whether they will continue to support the tacit center-right alliance struck with the government during the Salinas term, or whether the party should be less loyal and more of an opposition. The Zedillo term could witness the radicalization of intemperate sectors within PAN—possibly led by the charismatic governor of the state of Guanajuato, Vicente Fox—for whom the costs of perpetuating conciliatory tactics are outweighed by the benefits of a frontal attack against the Zedillo government. PAN would thus abandon its strategy of "concerted gradualism" in favor of a more "critical gradualism."¹

One of the main concerns among longtime PAN leaders is the loss of the party's soul as the result of its spectacular electoral ascent. Ideologues in the

party fear that the more confrontational political style displayed by a new breed of *panistas*, led by Fox, could undermine PAN's ideological backbone. Those advocating confrontation argue that PAN should worry about achieving power first and leave the defense of doctrinal purity for later. The traditionalists advocate a strategy baptized as "winning the government without losing the party" and argue that PAN should remain loyal to the socially conservative platform it has espoused since its inception. This unresolved struggle for definition has produced numerous public attacks among PAN leaders, and revealed a lack of internal unity that the party had been immune to in the past.

Meanwhile, the left has experienced a political renaissance under the leadership of a new party leader. Although Cuauhtémoc Cárdenas remains an important moral force within the Party of the Democratic Revolution (PRD), his political protégé, Andrés Manuel López Obrador, has emerged as a successful national figure. López Obrador heads a political current within the PRD that supports a hybrid incarnation of the party, known as "*partido-movimiento*" (party-movement), that seeks to combine organizational and institutional development with mass mobilizations and marches to protest electoral irregularities and government policies. Through popular demonstrations that pressure the government into negotiating on key issues—such as forcing the government oil monopoly PEMEX to invest in development projects in the state of Tabasco—López Obrador has inaugurated a tough but compromising strategy that is becoming the PRD's trademark. López Obrador's leadership has already produced good results for the party, including recent electoral inroads in the state of Mexico, where the PRD tripled its vote in November 1996.

The growing electoral clout of the opposition led the PRI to approve—without the support of opposition parties—an electoral reform that is far from "definitive." Although the 1994 presidential election was generally perceived as the cleanest in Mexico's history, the consensus among opposition parties was that many of the electoral system's structural imbalances prevailed. Among the main sources of contention stemming from that election were issues of campaign finance, unequal access to the media, the biased role of the Federal Electoral Institute, and many extralegal sources of government support for the ruling PRI.

On assuming office, Zedillo called for a "definitive" accord that would decidedly eliminate suspicion and recrimination from the electoral process.

¹See René Delgado, "Elecciones: evolución o involución?" *Reforma*, May 27, 1995.

After two years of difficult negotiations, the main parties reached an agreement in November 1996. However, at the last minute, the PRI refused to budge on the issue of campaign financing and used its majority in Congress to push through a reform that continues to grant the dominant party privileged access to government funds. Although it is undeniable that the reform is a significant improvement on existing electoral legislation, its rejection by PAN and the PRD suggests that postelectoral conflict is far from over.

The political backlash created by the economic crisis has strengthened the prospects for a highly contested congressional race in July 1997, and the possibility of an opposition victory in the presidential election in 2000. Although the Mexican economy is limping toward recovery, the benefits of renewed economic growth have yet to translate into concrete benefits for the majority of the Mexican population. The PRI will therefore not be able to campaign on assurances of prosperity as it had in the past. Economic liberalization policies have cut to the core of traditional sources of party patronage, including political slush funds that oiled the party's clientelist machinery.

Tensions among contending groups in the PRI will undoubtedly escalate as the party heads into the midterm elections. PRI leaders believe the survival of the party's historic control over Congress—and seven governorships—will be at stake, and are currently devising strategies to assure PRI's predominance. More traditional factions, led by Minister of the Interior Emilio Chuayfett and a constellation of hard-line governors (from the states of Tabasco, Puebla, Yucatán, Veracruz, and Aguascalientes) are determined to ensure the PRI's staying power even if the use of patronage, intimidation, and electoral fraud is required.

Although the PRI faces increasingly strong competition, predictions of its impending demise may be exaggerated. The party has demonstrated a remarkable capacity to reinvent itself in the face of adverse circumstances, as it did during the 1994 presidential race. In many regions of the country the party's clientelist machine is deeply entrenched and will not be easily dislodged. The PRI also benefits from a divided opposition, which enables it to retain a relative majority of the vote. Among opposition leaders there is a growing perception that only a broad coalition front that unites the left and the right will have the capacity to remove the PRI from power.

However, PAN is reluctant to join forces with the left, since PAN leaders believe they can win Congress without the assistance of the PRD. The congressional elections will undoubtedly be a testing ground for this proposition. If PAN is unable to achieve a congressional victory, it might be willing to support the prospect of an opposition coalition in 2000.

BYPASSING THE BALLOT BOX

Economic malaise has created a much more volatile and much less loyal electorate for the PRI, and has opened up windows of opportunity for opposition parties on both the left and the right. However, whether parties will be able to bridge the chasm of distrust that currently separates them from an increasingly disaffected population is an open question. Economic decline could lead to widespread disillusionment with the existing political options offered by parties and to the strengthening of opposition movements working outside party channels.

While the party system has matured, parties and elections do not fully represent or encapsulate the demands of many social groups. As a result, parties are routinely eclipsed by other protagonists in civil society, including guerrilla groups and their sympathizers, non-governmental organizations (NGOs), drug traffickers, the media, and groups of disaffected intellectuals. Although in the electoral sphere Mexican politics is becoming more institutionalized, and

more actors are willing to play by the rules of the game, several key groups and individuals continue to operate at the margins of established politics.

The dramatic appearance of the guerrilla Popular Revolutionary Army (EPR) underscores the disaffection that looms large in the Mexican countryside, and the distance that separates modern, market-driven Mexico from its impoverished, rural counterpart. The EPR feeds on this anger and finds sympathy among millions of Mexicans who are bearing the brunt of a crisis brought on by mismanagement, corruption, and the hubris of an insulated technocratic elite. (A recent public opinion poll revealed that over a third of those surveyed justify the use of violence to combat injustice.) Although many Mexicans may not applaud the EPR, they support combating a government that fails to bridge the divide between the haves and the have-nots.

But poverty itself is not the only explanation for guerrilla insurgency. The EPR is active in the states

Zedillo's much-touted political reform has failed to reach. . . rural Mexico, where the worst aspects of authoritarian rule continue to thrive.

of southern Mexico—Chiapas, Oaxaca, Guerrero—that are saddled with exploitative politicians and corrupt caciques. Zedillo's much-touted political reform has failed to reach the hills and hamlets of rural Mexico, where the worst aspects of authoritarian rule continue to thrive.

The Zedillo government has attempted to discredit the EPR by arguing that it has no social base. This analysis is probably misguided and underestimates the EPR's influence. As with most guerrilla movements, the EPR's social base is fluid and largely invisible: members of the EPR are guerrillas one day and peasants the next. The EPR's mobility and capacity to maintain a presence in several states simultaneously underscores the generous endorsement it receives from rural communities in the form of food, shelter, and safe haven. This behind-the-scenes support allows the EPR to engage in the low-intensity guerrilla warfare that has become its trademark; the EPR attacks a military convoy or army base, then retreats into the hills and melts away into the jungle.

Just as the EPR has baffled analysts and investors, it has made life much more difficult for Mexico's other guerrilla incarnation: the Zapatista National Liberation Army (EZLN). In 1994 the Zapatistas captured the imagination of millions of Mexicans and became a fulcrum for greater political change. The mercurial and seductive Subcommandante Marcos garnered international media attention and public praise for focusing attention on the plight of the indigenous. But after two years of inconclusive peace talks and army encirclement, the EZLN's star appeared to be waning. Unable to extract any clear concessions from the government at the bargaining table, the EZLN seemed to be merely treading water.

The emergence of a more radical and more confrontational guerrilla organization has highlighted what many believe is the EZLN's perennial weakness: its incapacity (or unwillingness) to use weapons to advance its cause and pose a real military threat. By stealing part of his thunder, the EPR will undoubtedly force Marcos to toughen his stance toward the government. Marcos understands that the EPR is gaining ground—even in the Zapatista stronghold of Chiapas.

The EPR also poses important challenges to more politically sophisticated members of the Mexican left, including the leadership of the PRD. Conceived as a political voice and vehicle for impoverished Mexicans, the party must now deal with a guerrilla organization that rejects party politics. The EPR offers an immediate outlet for age-old grievances;

the PRD can provide only gradual political change through the ballot box. If the PRD distances itself from the guerrillas it will ostracize those who believe in the need for deep and dramatic reforms. If the PRD sides with the guerrillas, the party will once again be branded as an instigator of violence and lose its appeal among the conservative middle class. The PRD does not know whether to cater to the EPR—whose political ideology suggests that they are the cavemen of the left—or behave as a modern, institutional force that condemns violence in any incarnation. The situation is currently at a stalemate; an impasse in which the government has the upper hand in military if not moral terms. Popular sympathy for the EZLN and the EPR is widespread and could grow as the persistence of monumental income disparities becomes evident.

In addition to guerrilla groups, drug traffickers have become an increasingly destabilizing force in states such as Jalisco, Baja California Norte, Sinaloa, and Guerrero. During the Salinas term the Mexican government led an uneasy coexistence with drug traffickers, and in some cases even provided political protection for them. Drug cartels established ties with high-level government officials, state governors, and money-laundering corporations, and cajoled Mexican authorities to deal with them on the management of the United States–Mexico drug enforcement relationship. To shore up his credibility at home and abroad, Zedillo may break many of the unwritten rules that have governed relations between drugs and political power by arresting regional drug lords. If he does, violence and retribution could become an integral part of Mexico's political landscape *à la* Colombia.

Other actors, such as the debtors' movement known as El Barzón (The Yoke), and Manuel Camacho, the former mayor of Mexico City, constitute significant challenges given the unpredictable direction of their actions. El Barzón began as a union of indebted farmers in the western state of Jalisco, has captured news headlines with its protest marches and bank boycotts, and claims to have 4.5 million members in 300 groups affiliated across the country. The debtors' movement is a spontaneous, grassroots uprising, now overwhelmingly middle class and with no apparent ties to political parties. El Barzón lost some momentum with Zedillo's \$1 billion plan to restructure private debts, but if interest rates remain high and economic recovery is sluggish, El Barzón could gain renewed appeal.

As for Camacho, he has indicated that he intends to run for the presidency. The former mayor's strat-

egy has been to sit at his doorstep and watch the corpses of his political enemies roll by. Camacho would like nothing better than to be the Mexican Fujimori, and he hopes that if economic recovery fails to materialize, Zedillo loses credibility, and the PRI is unable to reinvent itself, he can take advantage of the resultant political vacuum. As historian Lorenzo Meyer suggests, "Camacho sees himself as a de Gaulle figure, waiting for the call to come as the country's political situation deteriorates." Camacho might attempt to create a fourth political party, positioned at the center-left of the political spectrum, that would serve as a "catchall" option for those disaffected with the existing parties.

WHERE IS MEXICO HEADED?

In his efforts to decentralize power and depoliticize and shrink the authority of the executive, President Zedillo has disarticulated lines of control that had granted the political system its enviable stability. This presidential retreat may ultimately lead to a decentralization of power favorable to democratic evolution. But it has also empowered the leaders of authoritarian enclaves, who are taking advantage of the president's weakness to strengthen their fiefdoms. In the midst of a difficult transition, the critical issue has become how to sustain public confidence in the Zedillo team, given that there are no clear indications of the relatively quick success of the president's economic policies.

The only way the ruling technocracy can survive the current impasse is to channel discontent through the ballot box and hope that democracy becomes an effective containment policy. Throughout the rest of the Zedillo term Mexicans will vote their pocketbooks, and the PRI may lose a host of state elections. In the best case scenario, the deepening of economic reform will entail the inevitable unraveling of the PRI and the electoral ascent of PAN; in the worst case, electoral politics will be unable to contain social disaffection.

Zedillo has not developed a clear strategy to generate political consensus for economic adjustment. Maintaining the current course of economic policy, despite the long-term wisdom of doing so, could create governability problems in the short-term. Under Zedillo, Mexico's stricken economy will have to generate jobs for a labor force that is growing more than 3 percent a year. More than 40 percent of the Mexican population continues to live in poverty and real wages have declined to pre-1980

levels. Extreme inequalities in income and social well-being prevail among states and regions, and between urban and rural areas.

These disparities were accentuated in the first six months after the devaluation. In addition, the benefits of greater integration with the United States have been unevenly distributed within Mexico, deepening regional disparities between a prosperous north increasingly tied to the United States economy and a backward south (especially the states of Chiapas, Oaxaca, and Guerrero) plunged into agricultural stagnation. Mexico is becoming a "dual society" wherein a growing portion of the population does not enjoy the bounties of free trade and economic reform.

For the neoliberal experiment to survive, Mexico's leaders will need to broaden the coalition of beneficiaries of economic reform and lessen both economic and social polarization. As Jorge Castañeda pointed out in the July 1996 issue of *Foreign Affairs*, "as long as Mexico delays the changes that will bring prosperity to all, the country will remain stalled, divided between a minority whose lot depends on the United States and a majority periodically buffeted by economic and political crisis."

One lesson from 1994—Mexico's year of living dangerously—is already clear: widespread economic modernization in Mexico cannot survive and flourish without substantive political modernization. The lack of institutionalized mechanisms to generate consensus, scrutinize politicians, and create checks and balances may render Mexico's NAFTA-based growth strategy vulnerable to political and economic upheaval.

Mexico will not reap the benefits of free trade and renewed growth until and unless those benefits reach the dispossessed, and until and unless clean and fair elections reflect the popular will of the country's marginalized groups. As the Chiapas uprising underscored, NAFTA, fiscal discipline, surging exports, and external support are no longer sufficient to keep the "other" Mexico at bay. And as the devaluation revealed, even economic dream teams—when they operate without accountability—can and do make mistakes. Until and unless Mexico institutes reforms that ensure government accountability, electoral transparency, and the rule of law—the stuff of which democracy is made—Mexico's future will continue to be tumultuous and uncertain; a constant struggle between upward mobility and downward drift. ■

Do Panama's preparations to assume control of the canal in 2000 constitute a new framework for democracy and ascension to membership in the global economy? Or, as evidence of its incremental movement toward authoritarianism suggests, are these efforts merely the dictator's new clothes?

Panama: Tailoring a New Image

STEVE C. ROPP

In his most recent best-selling spy thriller, *The Tailor of Panama*, John le Carré paints a bleak picture of a country struggling to come to grips with the rapid approach of the millennium. His lead protagonist is Harry Pendel, a tailor of English origin who turns his modest shop in Panama City into a "listening post" for British and American neo-imperialists. Operating in a sea of corrupt local politicians, opposition groups, drug dealers, and influence peddlers, Pendel purports to have discovered a plot by Asian corporate interests to gain control of the canal following its reversion to Panama. Reports of Pendel's findings to Washington eventually lead to "Operation Safe Passage," a fictional follow-up to America's real-life 1989 invasion, "Operation Just Cause."

Le Carré's gloom and doom stands in sharp contrast to the positive vision the Panamanian government and the ruling Democratic Revolutionary Party (PRD) are promoting. Panama is optimistic because the United States will soon turn over a veritable treasure trove of prime real estate that includes housing, hospitals, schools, port facilities, and airports. The government plans to convert these facilities into export-processing zones, educational institutions, and ecotourism centers (there are, for example, proposals for the construction of a "City of Knowledge" that will draw students and professors to Panama from all corners of the globe).

Which of these visions of Panama's future is correct? Will the country continue to struggle politically and economically with the legacy of 20 years of military dictatorship between 1968 and 1989? Or

will its leaders find creative ways of dealing with the challenges presented by the new millennium?

For Panama, the turn of the century is much more than just a magic millennial date. It is the point at which concrete developments will take place, developments that are built into the terms of the 1976 Panama Canal Treaties and Panamanian domestic law. First, and most important, Panama will inherit the canal and its associated real estate. Second, United States troops are scheduled to leave the country. And third, a new Panamanian president will take office in September 1999, a scant four months before the canal transfer.

As a prelude to these events, Panama must deal with a number of problems that have plagued it since the 1989 United States invasion. These include finding ways to strengthen a political system that is stalled somewhere between authoritarianism and democracy; completing the economic transition from a closed to a more open capitalist economy; and dealing with the negative international image that has persisted since the days of General Manuel Antonio Noriega.

OUT WITH THE OLD—IN WITH THE...?

Panama's political health must be charted against a background of developments that followed the 1989 invasion. Guillermo Endara, the country's first postinvasion president, managed to complete his term despite several coup attempts, the collapse of his ruling coalition, and a precipitous drop in public support.

Given the obvious fragility of Panama's new democracy, many observers were expecting the worst from the May 1994 presidential and legislative elections. Six candidates ran for president, supported by a cast of 16 political parties. Popular disgust with the inability of politicians to deal with national problems during the Endara years, as well

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as rapidly changing alliances among various fragmented parties, seemed to point toward fraudulent elections.

However, the 1994 elections turned out to be surprisingly free and fair—judged by most observers to have been among the cleanest in Panama's short history. Endara refused to use the economic and organizational resources of the government to favor his coalition's candidates and accepted defeat at the hands of the opposition.

Thus, the good news was that Panama had experienced one of its few Costa Rican-style elections. The more disturbing news was that the elections also resulted in the return to power of the PRD, a party that had been closely associated with the preinvasion military regime. Not only did it manage to restore one of its own to the presidency, but it also gained effective control of the National Assembly.

President Ernesto Pérez Balladares has many ties to the country's predemocratic past. An economist trained at the University of Notre Dame and the Wharton School of Finance at the University of Pennsylvania, he became secretary general of the PRD in the early 1980s. He participated in the 1984 presidential elections, first as campaign manager for a retired military officer, Rubén Darío Paredes, and then as a candidate in his own right. Forced into a brief retirement because General Noriega had different plans for the presidency, Pérez Balladares reemerged to manage the 1989 campaign of Noriega's handpicked presidential candidate.

Since assuming office in the fall of 1994, Pérez Balladares has governed Panama with a measure of efficiency. Nevertheless, there are indications that his government is still struggling with the legacy of its authoritarian past. Indeed, recent developments suggest that Panama has not fully completed the transition from authoritarianism to democracy and remains in political limbo.

THE THREADS OF DICTATORSHIP

The "politics of continuous transition" are clearly reflected in the fact that Panama has yet to significantly alter its constitution, which was imposed by the military in 1972. Although some important changes were made in 1978 and 1983, the constitution still retains undemocratic provisions. During Endara's presidency an effort was made to amend the constitution by popular referendum in order to enhance liberties and demilitarize politics. However, the overly complex basket of constitutional changes failed to spark voter enthusiasm and came to be associated with the president's failed efforts to revive

the economy. As a result, they were rejected in November 1992 by a margin of two to one.

Furthermore, the political opposition is increasingly fearful that the PRD is intent on preserving its grip on power, as was its military-dominated predecessor. During 1996, Democratic Revolutionary Party activists launched a number of trial balloons to assess the popular climate for altering the constitution to allow a second successive presidential term. In March, Vice President Tomás Gabriel Altamirano Duque suggested that Pérez Balladares was the only Panamanian leader with sufficient will and stature to lead the nation into the twenty-first century.

If the PRD chooses to follow the path to civilian dictatorship charted by Alberto Fujimori of Peru, it will face significant obstacles. The National Assembly would first have to pass legislation authorizing a constitutional amendment that would then have to be approved in a national referendum. Sensing that Panamanians might not be willing to approve a second presidential term, the PRD's latest strategy has been to suggest linking these changes in the constitution and electoral code to other, more popular initiatives.

Although the primary threat to democratic governance is a possible "soft" civilian authoritarianism, renewed militarism cannot be entirely ruled out. Panama's military has been formally abolished through legislative action, but there are several national problems that might lead to its resurrection. Postinvasion Panama has one of the highest rates of violent crime in the world, especially in major urban areas. This, of course, concerns not only Panamanians but also foreign visitors. The country also remains vulnerable to drug trafficking, particularly along the Colombian border. Democratic Revolutionary Party legislators in the National Assembly, who remain sympathetic to the military, have used these problems and associated vulnerabilities to argue for the rearming of Panama's police, the Public Force, and for the creation of a new quasi-military elite unit within the force.

The career of retired Colonel Eduardo Herrera Hassan is emblematic of Panama's possible movement toward renewed militarism. A relative of legendary populist leader General Omar Torrijos, Herrera maintains close ties to members of the former military institution. After participating in an aborted coup attempt against the Endara government in 1990, Herrera was sentenced to several years in prison. He has since emerged to lead a new

populist party that plans to field candidates in the 1999 elections.

CRASH DIET

Panama is also struggling with a shift to a more open economy. As has been the case in other Latin American countries, Panama's political discourse during the 1990s has been dominated by the central issue of productive restructuring. By the late 1980s, the alternative models of state-led economic growth that framed global political debate for most of the twentieth century—state capitalism and communism—had been discredited. Panamanian politicians joined the hemisphere-wide rush to institute economic reforms that would restore the globally competitive economic position their country had maintained until the mid-1970s. These reforms included lowering tariffs, increasing labor productivity, and reducing the size of various government bureaucracies.

While Endara was president, the nation made little headway toward productive restructuring. It was only after Pérez Balladares's election that the government began serious economic reform. As president, Pérez Balladares explicitly sought to follow the development path of the so-called Asian tigers (Taiwan, Singapore, Hong Kong, and South Korea). In adopting an economic strategy that called for a dramatic lowering of tariff barriers and domestic wages to make Panamanian products more competitive in international markets, Pérez Balladares sought to emulate Asian success in encouraging export-led growth. His administration also placed great emphasis on attempts to gain membership in the World Trade Organization, the North American Free Trade Agreement, and the Asia Pacific Economic Cooperation group.

Immediately following his inauguration, Pérez Balladares publicly made the case for adopting drastic economic measures to increase Panama's global competitiveness. In early October 1994, the cabinet council approved a new government economic plan that included a five-year timetable for reducing the public sector through an inclusive process of public consultation. At the same time, Economic Minister Guillermo Chapman suggested that some changes in the progressive 1972 labor code would be necessary.

Although the Pérez Balladares administration did make some attempts at broad consultation, it soon

Panama has not fully completed the transition from authoritarianism to democracy and remains in political limbo.

became clear that the government was intent on imposing its new economic policies no matter what the short-term cost in public support. The absence of a populist dimension to the government's economic plan could be seen by the lack of an explicit safety net for the poor and the lack of any clear indication that savings derived from the downsizing of the public sector would be used to support social development. While the government denied that its plan for productive restructuring was dramatically different from the economic plans that the PRD had supported in the past, the plan clearly constituted a major change in economic (and hence class) orientation.

By the spring of 1995, battle lines had been drawn between the government and large sectors of the public around the issue of reforming the labor code. The government was especially insistent on allowing Panamanian companies to freely hire and fire workers, and the question of who would pay for contributions to a new dismissal fund (created by the government's labor reform bill) became a particularly contentious issue. Opposition to the reform process was led by powerful unions associated with banana workers and the urban construction industry.

When the PRD-dominated National Assembly attempted to revise the labor code in August 1995, matters came to a head. Following an initial debate on August 4, there were strikes and riots in Panama City in which four people died and hundreds were detained by the police. Some 49 labor unions went on strike, and received broad support from business and professional organizations, students, and opposition political parties. Labor unrest continued following legislative approval of the reforms one week later.

While the Pérez Balladares administration has pushed its economic reform agenda with tenacity and vigor, it has little to show for its efforts. The nation's economic growth rate hovers at around 2 percent (a full percentage point below the regional average), and unemployment remains stubbornly high (between 13 and 15 percent). One major factor leading to short-term growth stagnation and unemployment is the administration's current effort to pay off the nation's massive commercial debt. The government reached agreement with its creditors early in 1996 to restructure this debt within the general guidelines of the Brady Plan, but it required freezing public expenditures for all but the most

basic services.¹ Meanwhile, Panama continues to suffer from one of the most unequal patterns of wealth distribution in all of Latin America, and half the population lives in dire poverty.

In sum, Panama's crash diet may be working, but the new suit of clothes is hanging rather loosely from the country's emaciated frame. The result of all this economic distress has been a series of strikes in the public and private sectors over the past several years. As for the architect of economic reform, President Pérez Balladares seems willing to stay the course, although he may be dismayed by his declining public support. Not only does his agenda come under regular assault by opposition political parties, it is also attacked by members of his own PRD.

TAKING A GOOD LOOK IN THE MIRROR

Panama's current political and economic problems are compounded by a negative image abroad that has plagued the country since it was ruled in the 1980s by General Noriega. It is "a Casablanca without heroes, a hotbed of drugs, laundered money and corruption," as le Carré puts it. Its image as a safe haven for shady businesses is so bad that Russians actually use the word "Panama" to refer to any bogus corporation established for illicit purposes.

Since the early 1990s, public officials have made restoring the image of the country as a stable democracy a priority. However, they have often been hindered in this effort by seemingly endless quarrels between the various political parties and between the three branches of government. For example, certain Democratic Revolutionary Party legislators have engaged in a vigorous campaign to put opposition-appointed Supreme Court magistrates on trial for purported crimes. These machinations are especially troubling because they appear remarkably similar to those witnessed in the years before the military seized power in 1968.

General Noriega's extensive involvement in drug trafficking and money laundering during the 1980s intimately associated the country with corruption. Part of Panama's problem in this regard is geographic in that the isthmus is located close to the major cocaine-refining facilities and drug-trafficking routes of the Colombian cartels. As home to a substantial

banking community and one of the world's largest free trade zones, Panama is an extremely attractive place for traffickers to do business.

Drugs in transit to the United States and Europe arrive via Panama by sea and air, passing through the country's major ports or some 200 small landing strips in the San Blas Islands and Darien. Much of the money laundering is done through the purchase of major urban construction projects (hotels, condominiums, office complexes), a process that has created a real estate glut in Panama City. For the past three decades, the Colón Free Zone has offered an attractive option for money launderers, including the Cali cartel, which used the area extensively in the early 1990s.

The perception of Panama as a hotbed of drugs, coupled with the country's willingness to serve as home for bogus corporations, threatens to undermine legitimate activities in the Colón Free Zone and in the country's large banking sector. In 1996 the National Banking Commission was forced to take over and liquidate the Agro-Industrial and Commercial Bank after it lost some \$50 million in investors' funds. This case sparked concern in the international community about Panama's ability to oversee some 100 financial institutions—especially since the Banking Commission has fewer than 70 employees.

"Narcoscandals" have also spilled over into the political arena. In May 1996 *The Economist* reported that President Pérez Balladares may have received illegal donations from the Cali cartel during his 1994 election campaign. Following further allegations of possible wrongdoing in the *Miami Herald* and *New York Times*, it was discovered that the president's campaign committee had indeed received some \$50,000 from a businessman associated with the cartel. By admitting that he had unknowingly received these donations, Pérez Balladares avoided invidious comparisons with Colombia's beleaguered president, Ernesto Samper. However, his personal avoidance of "Samperization" did the country little good as it struggled with its larger image problems.

Panama faces one more major difficulty when it comes to restoring the view that it is a stable and economically progressive democracy. Following the 1989 invasion, and partly as the result of the abolition of Panama's brutally effective Defense Forces, crime and violence became pervasive. Weapons of all kinds remain widely available, kidnappings of Panamanians and foreigners are common, and street crime has assumed major proportions. In the war against Panama's large criminal element, 34

¹In 1989, the Brady Plan, named for United States Treasury Secretary Nicholas Brady, proposed that banks holding outstanding loans from Latin American countries should forgive a portion of the debt in exchange for guarantees that the remaining debt would be paid.

policemen were killed in 1995 alone. Restoring Panama's image of tranquillity without simultaneously restoring the military to power will not be easy.

CARE TO TRY ON A KIMONO?

Panama's difficulties in dealing with ongoing domestic political and economic transitions are further complicated by its rapidly changing relationship with other countries and "actors" within the international system. Panama is becoming involved in a complex pattern of cooperation and conflict along the eastern edge of the Pacific Rim. To some extent this involvement represents a return to the pattern of multiple relationships with great powers that influenced isthmian developments during the late nineteenth century. But today, the locus of these relationships has shifted from the Atlantic to the Pacific, and their patterns are much more complex, involving not only the region's great powers but broader transnational economic interests.

Of the great powers involved, the United States remains the most important and influential. American interests have changed in minor ways since the canal treaties were negotiated two decades ago, but the most salient concerns remain the same. First, there is a continuing interest in the efficient and secure operation of the canal, given that some 70 percent of United States seaborne trade passes through it. Second, the United States remains interested in Panama's political stability, and believes that democratic government is stability's best guarantee.

Under the terms of the 1977 canal treaties, the United States is obligated to turn over large amounts of property, including 12 military installations, to Panama before the year 2000. The remaining 7,000 American military personnel are scheduled to leave by that date, and the headquarters of the United States Southern Command will be moved from Panama to Miami, Florida. However, a majority (70 percent) of Panamanians have consistently indicated that they would like some bases to remain, provided that the United States pays rent.

From the standpoint of the Clinton administration, some residual military presence is desirable, both as a guarantor of Panama's political stability and to help fight the drug war. In particular, there is considerable interest in retaining access to Howard Air Force Base, from which numerous

intelligence sorties are flown each year in the war against narcotraffickers. Although President Pérez Balladares has indicated he would like to turn Howard into a multilateral drug antitrafficking center, and an interagency working group has been formed in the State Department to examine American options, nothing is assured; bureaucratic consensus concerning the desirability of a continued American presence in Panama would have to be reached in Washington. Panama's political parties would also have to agree not to turn the issue of a continued United States military presence into a political football prior to the 1999 elections.

Although the United States retains great influence on the isthmus, Japan has also emerged as a major player. As the canal's second most important customer and a country that was highly influential during the Noriega years, it remains extensively—if somewhat cautiously—involved in Panama's affairs. This involvement has led to a certain amount of tension between the United States and Japan, as the multinational construction and shipping companies of both countries compete in the effort to modernize the canal and its associated port facilities. Such tensions lay just below the surface in the deliberations of the Tripartite Commission, formed in 1985 by Panama, the United States, and Japan to discuss future canal modernization.

Because Japan is frequently portrayed by novelists such as le Carré as Asia's great conspiratorial power, it is easy to overlook the significant role played by Asia's smaller, newly industrialized economies—especially Taiwan. For example, Panama and Taiwan are currently in the process of establishing at the former Fort Davis a major export-processing zone similar to the one set up by the Taiwanese at the former Subic Bay United States naval base in the Philippines.

Taiwanese businessmen have expressed considerable interest in creating an export platform for light industrial goods in Panama. But the relatively high cost of local labor suggests that this is not Taiwan's primary concern on the isthmus. Rather, Taiwan's increasingly autonomous national development has led to the rapid growth of homegrown multinational corporations that are extending their reach into all of the world's regional maritime shipping and transportation centers.

The key player in Taiwan's effort to create a global network of marine transportation facilities to

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support its worldwide manufacturing activities is the Evergreen Marine Corporation. Owner of the world's largest container shipping fleet, it is currently constructing a container terminal in Colón at the Atlantic terminus of the Panama Canal. As a rapidly expanding global megacorporation, Evergreen's marine operations are closely linked to the People's Republic of China through Hong Kong and through Taiwan's southern port of Kaohsiung. Once a planned Taiwan-China transshipping center is completed in Kaohsiung—already the third-busiest container port in the world—Evergreen will likely consolidate its paramount position in world container shipping.

Because of the imminent withdrawal of United States military and civilian personnel from Panama and the increasing role of Asian powers in the eastern Pacific, all the region's countries and their corporate allies are caught up in a complex dance involving both cooperation and competition. Cooperation is manifest in the efforts the world's major countries have made to ensure that there is continued universal access to the canal within a stable regional framework. Competition over Panama is most pronounced between Taiwan and China, and between Taiwan and a "triumvirate" of Japanese, South Korean, and Chinese corporate interests. These tensions more broadly indicate concern that the Taiwanese may monopolize transshipment activities around the canal. In a certain sense, the curious overlapping patterns of cooperation and conflict that have been apparent in East Asia for

some time are now spilling over into Panama and Central America.

FINAL FITTING

Panamanians are a remarkably energetic and practical people, capable of adapting rapidly to new economic circumstances. The past two governments have come up with a number of innovative ideas for future use of the various resources and facilities that will revert to Panama in three years. It seems likely that some of the best of these ideas (such as canal and port modernization and ecotourism development) will eventually come to fruition.

Yet recent political developments suggest that we should remain somewhat skeptical about the prospects for a procedurally sound Western-style democracy in Panama. There are troubling indications that the country may be moving toward a new form of authoritarian civilian rule, rendered superficially legitimate by the need for highly centralized national decision making in a time of rapid economic change.

To the extent that Panamanians come to view their country as an emerging "Tiger of the Eastern Pacific" rather than as a more traditional member of the Western Hemispheric community, they may be willing to accept this essentially Asian perspective on "guided democracy." However, such a change in viewpoint seems highly unlikely in the short run. The result may well be a considerable amount of political turmoil that could vastly complicate the canal transfer process. ■

"[T]he democratic process continues in El Salvador. The manner in which the upcoming elections are carried out will indicate just how firm the country's democratic foundation really is."

Constructing Democracy in El Salvador

TOMMIE SUE MONTGOMERY

Five years after peace accords brought one of the longest and bloodiest civil wars in Latin American history to an end, El Salvador faces a number of challenges that threaten its fragile democracy. The most daunting is an intolerably high level of civil violence; homicide rates threaten to eclipse peak death squad activity during the war. The inability of President Armando Calderón Sol's three-year-old government to develop a coherent economic policy, and a failure to achieve genuine reconciliation across Salvadoran society, give additional grounds for concern.

Recent news stories promote the idea that El Salvador is a notable success. Successes there certainly have been, many a result of the peace accords that sought not merely to end the war but, as one UN official noted, to "change a whole society." These include a dramatic reduction in the size of the armed forces (although not to prewar levels), the purging and reorganization of the officer corps, and a redefinition of military doctrine. Further, the accords abolished three security forces and assigned responsibility for public security to a newly formed National Civilian Police. Citizens can now file formal complaints about human rights abuses with the National Counsel for Human Rights, a government agency. Finally, reincorporation of the left into the country's political life has been effected with the legalization of the Farabundo Martí National Liberation Front (FMLN) as a political party. This means that the armed forces have come to terms with the presence of the left in the country—perhaps the most significant result of the accords.

While Salvadorans on both sides of the previous conflict deserve credit for these achievements, little

would have been possible without the presence of a United Nations Observation and Verification Mission (ONUSAL) throughout the peace process. The successes, however, do not obviate the lingering problems of violence, economic challenges, a lack of political leadership, and the ruling party's view of politics as a zero-sum game.

THE PLAGUE OF VIOLENCE

The statistics on violence in El Salvador are alarming. In a May 1996 national survey, one-quarter of all respondents said someone in their immediate family had been assaulted in the previous four months. Another survey in June and July found that 79 percent of the respondents identified crime as the number one problem they faced. Citizens clearly link crime levels to economic conditions. When the May survey asked what the causes of crime were, unemployment (which stood at more than 30 percent in December 1996) was cited by 44 percent; the "economic situation" was third, mentioned by 11 percent. (Family disintegration—undoubtedly exacerbated by the other two factors—was second, at 13 percent.)

The country's central morgue in San Salvador receives an average of 300 bodies a month, and the number is growing. In recent months there have been six massacres of families, including small children; there is no indication that the massacres were political crimes, and none have been solved. An average of six police officers are killed each month, most in the line of duty.

Much of the urban violence is the product of well-organized gangs. The most important of these have their antecedents in the Los Angeles barrios, where several hundred thousand Salvadorans settled in the 1980s. When the gang members returned in the early 1990s, either voluntarily or by order of the United States Immigration and Naturalization Service, they brought their organizations,

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colors, and territorial practices with them. The Salvadoran police have been hard-pressed to deal with these gangs (called “*maras*”) because of a lack of resources and experience.

Another issue that was not on the national agenda five years ago is violence against women, which now receives attention in the major newspapers, although stories are often accompanied by gratuitous photographs. More important, the Legislative Assembly has approved legislation that makes rape a public crime for the first time, and no longer requires a witness (other than the victim) to the rape in order to press charges. A new penal code also includes articles that protect women. All are significant steps forward in this very macho society.

In the countryside, armed bands plague the coffee- and sugarcane-growing regions, especially at harvest time. The bands often wait until payday, then rob the coffee pickers and cane cutters. Demands from growers for the army to provide security have been met by the development of *Plan Guardian*, under which President Calderón has ordered the police and the military to create joint patrols. The armed forces were not happy with this order but, as General Mauricio Duke Lozano, head of the joint chiefs of staff, remarked in an interview with this author, “It’s not what we want or don’t want. It depends on the president.” The president has the constitutional authority to order the military to support the police when public security concerns warrant it. In the countryside, one often sees these joint patrols walking along the road: four to eight soldiers in full battle gear and a police officer in his uniform of white shirt, blue pants, and baseball cap.

The patrols have been deployed across the country without any analysis of where they are needed, which has provoked citizen concern. Some see the patrols as an effort by the military to reassert a public security role for itself, in direct contravention of the peace accords—a charge the military denies. Other citizens acknowledge the need for Plan Guardian in some areas of the country, but not in theirs. This view was recently expressed by the people of six municipalities in northern Chalatenango province, which had been a solid FMLN area during the war (and, as a result, had been brutally overrun by the army on several occasions). In a November 1996 meeting they solicited with National Civilian Police director Rodrigo Avila, they raised this concern. Plan Guardian, they told Avila, was being implemented in their area despite highly organized citizen cooperation with the police to combat crime.

Yet they also complained about poor communication between local police and residents, an improvement in which, they said, could produce significant results in fighting crime. Avila was warmly received and listened respectfully. When people finished talking, he assured them he would promptly address their concerns. The people were satisfied. This meeting was undoubtedly the first time that some of the poorest of El Salvador’s citizens had a conversation with a senior official about public security—a sign of hope in the midst of a national crisis.

ECONOMIC REFORM: LESS THAN THE SUM OF ITS PARTS

After eight years of neoliberal economic policies and restructuring mandated by the World Bank and the Inter-American Development Bank, El Salvador’s economy is in deep trouble. The significant growth rates of the early 1990s (over 7 percent annually) have declined to 3.4 percent in 1996 and a projected 4 percent this year. Further, growth has been concentrated mainly in the financial sector; “redistributive policies” are dirty words in government circles. Industrialization has been largely confined to the creation of mostly Asian-owned *maquiladoras* (textile and electronic assembly plants).

Annual inflation in October 1996 was 8.3 percent, down 4 points since January. Some increases, however, have disproportionately affected the poor. In the last six weeks of 1996, fares for special buses and minibuses increased 50 centavos, or about 5.5 cents. This does not seem like much until one realizes that many people have to take two buses to get to work (there are no transfers or passes) and that the increase applies to children attending school as well as their parents. The increase can easily approach \$1 per day for a family of four whose monthly income may be only \$200 to \$250 a month. A recent boost in gasoline prices will inevitably mean higher prices for food, as truckers pass their higher costs on to the market vendors (mostly women) from whom most Salvadorans buy their food.

There has been vast overconstruction of housing, but, with interest rates in the mid-20 percent range until recently and above 17 percent (plus points and closing) in December for a 20-year mortgage, few in the country’s still small middle class can afford home ownership. Credit card interest rates are usurious. In early December, the Banco Cuscatlán published the annual interest rate for a gold card: 45 percent. At the Banco Desarrollo, the interest rate for a MasterCard was 39 percent; for Visa,

27 percent. Earlier in the year there was a miniscandal when it became known that banks were charging interest on interest, thereby pushing the annual card rate to over 50 percent. At one point, credit card debt was so high that the card companies ran newspaper advertisements urging people not to use their cards and to pay cash for purchases instead.

For the first time, there is significant disagreement within the private sector over economic policy, as well as between important parts of that sector and the government. El Salvador's once-monolithic "oligarchy"—the label historically attached to its economic elite—is no more. A generation ago the monolith had two parts: the traditional agricultural sector, whose wealth was exclusively in the land (coffee, cotton, or sugarcane); and the landowners who had diversified into finance and industry. Today there are four clearly identifiable sectors: financial, commercial, industrial, and agricultural. Agriculture, which dominated the Salvadoran economy into the 1980s, has become almost irrelevant in economic terms, yielding only 8.6 percent of the gross domestic product in 1993. In each of the other three sectors there is a small subsector that controls the overwhelming majority of the capital within it. The result is not only intersectoral conflicts but also intrasectoral ones, as smaller players battle to stay in the game.

Making matters worse, the government has substituted sloganeering about "modernization of the state" and "privatization" for a coherent economic plan that could generate confidence among industrial investors, who are El Salvador's only hope for a stable economic future. After floundering for two years, in January 1995 Treasury Minister Manuel Enrique Hinds unveiled a five-point scheme that immediately incurred the wrath of the commercial and industrial sectors. The components of the "Hinds Plan" were: 1.) eliminating import taxes; 2.) establishing a fixed and convertible exchange rate; 3.) "modernization," understood as deregulation, decentralization, privatization of all goods and services administered by the state where possible and socially acceptable, and administrative and financial restructuring; 4.) increasing public expenditures incrementally for social programs such as education and health to 50 percent of the national budget in 1999; and 5.) increasing the value-added tax from 10 to 14 percent.

Several of Hinds's proposals came under heavy fire. Eliminating import taxes would have flooded

El Salvador with cheap imports against which local producers could not have competed. The idea of making the colon, the Salvadoran currency, convertible with the dollar was laughed away. Raising the value-added tax was viewed by parts of the private sector and the political opposition as sure to have a profoundly negative and regressive impact on consumers.

The firestorm was so fierce that the government backed down and completely scrapped the first two points. Over the last two years, however, other parts of the plan have been implemented piece by piece. Several bills requiring parliamentary approval have been rammed through the Legislative Assembly by the government party, the Nationalist Republican Alliance (ARENA), often without following the assembly's procedures for hearings and debate.

In practice, the "decentralization" of power from the central government to the municipalities has merely meant "deconcentration": the opening of central government offices in selected municipalities. This has distressed those mayors who have been lobbying for true decentralization through their Council of Municipalities (COMURES). At the same time, "privatization" has meant selling off national utilities at prices well below their real value. And the increase in the value-added tax to 13 percent (a compromise) has outraged voters. Indeed, support for this measure by ARENA and the Democratic Party—a splinter of the FMLN—may well cost both parties votes in the legislative elections scheduled for March. The sum of the parts is less than a coherent economic policy; for this the country still waits.

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ZERO-SUM POLITICS

The primary reason El Salvador is still waiting for a coherent economic policy is a lack of presidential leadership. After the strong leadership of Alfredo Cristiani between 1989 and 1994, President Armando Calderón Sol has been a model of indecision. His reputation for espousing as policy the last viewpoint he has heard has produced in civil society both heartburn and black humor. The president's failure to follow through on policies he originally embraced has caused frustration across the political spectrum. Calderón promised to implement a system of property taxes, which are a much more progressive tax than the value-added. Nothing happened. He promised the mayors (and the United States Agency for International Development) that he would support proportional repre-

sensation in elections for mayors and municipal councils (a municipality is similar to a county in the United States); currently, whichever party wins a mayoralty in El Salvador also wins all the council seats. That pledge has vanished in a flurry of opposition from his own ARENA party. The head of the ARENA faction in the Legislative Assembly, Juan Duch, has said that the kind of "conflict" seen in the assembly would be magnified at the municipal level and "there would be chaos. It will take 20 years," he asserted in an interview, "for municipalities to be ready for proportional representation."

Most significant—because it is required by the peace accords—Calderón promised electoral reform, something the country was in dire need of in view of the gross incompetence and partisanship that characterized the work of the Supreme Electoral Tribunal (TSE) in preparation for the 1994 elections. Indeed, before the elections Calderón signed a gentlemen's agreement with his opponent, leftist coalition candidate Rubén Zamora, in which each pledged to carry out the needed reforms. Some months after the inauguration, Zamora visited Calderón at the Presidential Palace to remind him of his commitment. Calderón appointed a presidential commission, which produced a series of recommendations that he publicly embraced. He submitted them to the assembly, where they were buried by his own party.

After eight years of unchallenged political supremacy, ARENA is in trouble. This right-wing party, which was founded in 1981 by leading members of the oligarchy after they were abandoned by their allies of 50 years, the military, has developed into a well-oiled, well-funded organization. It is also profoundly antidemocratic in its practices and views politics as a zero-sum game in which the end—remaining in power—justifies the means. ARENA's governing council, COENA, imposes its will on local party members without consultation. For example, two party leaders enraged local party members in Panchimalco, just south of San Salvador, when they arrived to announce that the incumbent mayor, a 27-year-old female dental student, would not be running for reelection because the party elders had decided to nominate a middle-aged man.

ARENA partisans unabashedly believe that they are ordained to become the Central American PRI (Mexico's Institutional Revolutionary Party) and have not learned from the PRI's own fall from grace in recent

years. Until 1996, ARENA could play the democratic game because there was no real challenge from the center or the left. Recently, internal divisions between political hard-liners and moderates, and among competing economic interests, have surged to the fore, and ARENA finds itself threatened electorally by a coalition of center and left parties that have put aside their differences in an effort to win several key local races, including the mayoralty of San Salvador.

Sadly, ARENA has not yet learned that democracy means losing elections as well as winning them. The party has lately been engaged in a variety of activities designed to silence the opposition, undermine the political center, and prevent the formation of electoral coalitions that represent a real threat to its continued control. ARENA's methods include restrictive legislation, direct interference in another party's internal troubles, and undermining the TSE.

ARENA has pushed two laws through the Legislative Assembly that are designed to control or limit citizen participation in public life. The nongovernmental organization (NGO) law, in its original incarnation, so outraged all national and international NGOs that the latter threatened to leave the country en masse, taking their millions of dollars with them. The government backed down and rewrote the law, and ARENA, with its allies, approved it. NGOs still object to the law principally because it is the Ministry of the Interior—with its nefar-

ious history of death squad activity—that has responsibility for maintaining the NGO registry, and because the ministry is not obliged to make the registry available to the public.

The second piece of legislation, the "telecommunications law," makes illegal community-based radio stations, which are often the only source of information for citizens in rural areas. No one questions the government's right to regulate the airwaves; the problem is that the law has been used to shut down and confiscate the equipment of stations that the government views as "leftist."

ARENA's internal troubles pale in comparison with those of the Christian Democratic Party (PDC), which held the presidency and controlled the assembly in the mid-1980s but then self-destructed through political incompetence and corruption. The PDC has split three times in the last eight years and fell to third place, behind the FMLN, in the 1994 elections. Its internal woes have been deliberately exac-

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erated by ARENA, which has supported Ronald Umaña, a latecomer to the PDC, in his struggle to take over the party. Viewed by political analysts and politicians from the center to the left as a "fifth columnist," Umaña's economic views closely parallel those of ARENA. Ernesto Claramount, who has been certified as PDC secretary general by two government bodies, is in the "communitarian" tradition of Christian Democracy and has been actively seeking coalitions with other centrist parties and the FMLN. ARENA's objective is to prevent final certification of Claramount by the TSE, or at least to delay it past the deadline for inscribing electoral coalitions.

The TSE has five magistrates, three of whom are nominated by the three parties with the most votes in the previous election, and two of whom are named by the Supreme Court of Justice. All five are approved by the assembly. In mid-November, ARENA suddenly introduced a motion in the assembly to remove the PDC magistrate, Eduardo Colindres, for "lack of education." Colindres, who holds a doctorate from the Sorbonne, belongs to the Claramount faction and has challenged his removal in the Supreme Court. His substitute is from the Umaña faction.

When it became clear in early December that Claramount had the legal arguments on his side in the battle for the PDC leadership, ARENA threatened to remove its own magistrate, Jorge Díaz, as well as the FMLN magistrate, Félix Ulloa, in order to ensure the certification of Umaña as secretary general. This blatant attempt to manipulate a theoretically independent institution for short-term and baldly partisan ends provoked a strong reaction, first from the Spanish ambassador and, subsequently, from the United States embassy.

SIGNS OF HOPE

Despite the violence, economic difficulties, and political problems, El Salvador still offers much cause for hope. The country has been demilitarized, and former guerrilla commanders now sit in the Legislative Assembly. One, Lorena Peña, is responsible for shepherding through the assembly a series of laws designed to protect women. At social functions the former guerrillas are often seen talking with active duty military officers.

The military member of the government's negotiating team at the peace talks, retired General Ernesto Mauricio Vargas, and one of the nonmilitary members of the FMLN's team, Salvador Samayoa, now appear together in print ads for a new radio station that would like to become the Salvadoran

equivalent of National Public Radio. Another station, Radio Venceremos, long a thorn in the side of the Salvadoran military with its persistent and often irreverent broadcasts from the mountains of Morazán, is now a legal pop music station.

The signs of hope can also be seen in civil-military relations; public security and human rights; women; municipal development; and education.

Civil-military relations

Gerson Martínez, a former FMLN commander who now heads the FMLN faction in the Legislative Assembly, has noted that the military is the institution in Salvadoran society that has "most complied" with the peace accords. In fact, the armed forces have gone beyond what the accords demanded. Required to reduce their number by half, the army, navy, and air force together stand at 18,000 men, one-third their size in 1992. In a marked departure from the past, about 200 officers are studying for university degrees on scholarships, and cadets in the military academy are encouraged to study for university as well as academy degrees. The academy's curricular oversight board includes civilian academics. In 1992, on its own initiative and with the support of Spain and other countries, the armed forces set up a College of Advanced Strategic Studies. This institute offers six-month courses for civilians and senior military officers with classes on security, defense, and national development. The objective is to break down the rigid barriers that have long existed between the armed forces and civilians and provide a setting in which civilians can become familiar with military doctrine while officers can learn about socioeconomic and political problems in the larger society.

Public security and human rights

The National Civilian Police and the National Counsel for Human Rights are the two institutions in El Salvador most closely identified with the peace accords. They are products of FMLN demands during the negotiations to demilitarize public security and ensure that a government office exists where citizens can take their complaints about alleged human rights abuses. Both institutions have endured their share of growing pains. Nevertheless, five years after they were founded, according to a survey conducted by the United Nations, these two institutions, despite high crime rates, rank second and third among six institutions that respondents were asked to order according to their level of confidence in each (the media ranks first; the govern-

ment last). The national police force has earned this standing despite high crime rates, because it enjoys a reputation among ordinary Salvadorans for being incorruptible and for arresting its own when they violate the law.

One of the most dramatic changes in El Salvador is the disappearance of state-sponsored terrorism. Occasional reports of human rights violations by police officers always center on those involved; there has never been even the suggestion that the institution condones this behavior. On the contrary, agents are usually arrested and prosecuted for such violations. When they are not, one can count on the National Counsel for Human Rights to denounce the lapse. Unfortunately, the counsel has suffered from the government's malign neglect and is largely supported by international donors. Its mandate includes civil liberties, human rights, and environmental, women's, and children's issues. The head of the counsel, Victoria de Aviles, has not given the government a moment's rest since she took office. She has received repeated death threats—so many that, in late November, an ARENA deputy and sister of the president, Carmen Elena Calderón de Escalón, came publicly to Aviles' defense, denounced the threats in a press conference, and called for an "in-depth investigation."

Women

Women's participation in public life has increased significantly since the 1970s. Today, 29 of El Salvador's 262 mayors are women. All but 3 belong to ARENA; 2 are FMLN members, the other a Christian Democrat. In the Legislative Assembly, 9 of 84 deputies are women; 3 each belong to the FMLN and ARENA, 2 to the Democratic Party, the FMLN splinter group, and 1 to the Christian Democratic Party.

In preparation for the 1994 elections, a broad coalition of women's organizations hammered out an agenda called "Mujeres 94," which the coalition asked every party to adopt as part of its platform. Only the FMLN agreed, thanks to the pressure of its women members. The FMLN also adopted a rule that one-third of all its candidates for office must be women. This was a compromise; the women had pushed for 50 percent. More recently, women's organizations have formulated legislation to guarantee workers' rights in the maquiladoras; to make rape a public crime; to require men to prove they are *not* the father of a child if they are to avoid child-support payments; and to ensure that articles in the new penal code protect women. A new education

law guarantees equal access for girls, bars discrimination based on gender, and proscribes sexist stereotypes in textbooks. All these bills have either been approved or are expected to be approved before the legislative session ends in early 1997; none of these issues were on the national agenda five years ago.

Municipalities

Developments at the municipal level give more cause for concern than celebration. There are municipalities with illiterate mayors. Others are so poor they are unviable by any measure, and still others are technically illegal because they have fewer than 10,000 inhabitants; they continue to exist because no one has been willing to pay the political price of consolidation.

Yet there are municipalities where mayors and their councils are models for the remainder of the country. Municipal Development Committees in each village are elected on a nonpartisan basis and then work with the municipal governments to define local needs and priorities. These mayors are improving local tax collection, and maintaining their popularity while doing so. In Tecoluca, a former guerrilla, San Vicente Nicolás García, has increased tax revenues from about \$900 per month in 1994 to over \$8,000 per month—and enjoys a 90 percent approval rating. In 1995 he traveled to Spain, where he negotiated grants to build a new market in the municipal seat and bring potable water within three years to 95 percent of the 65 villages in the municipality (three years ago only 3 percent of the villages had water). In Sonsonate, one of El Salvador's smaller departmental capitals, Abraham López de León, an ARENA mayor, has successfully encouraged both town meetings and open council meetings as a means of promoting participation. These forums provide the most vital form of democracy being practiced in El Salvador today. To the extent that they are replicated in the coming years, they will have a positive impact on the construction of a democratic polity.

Education

The one part of the government that commands nearly everyone's respect is the Ministry of Education. The education minister, Cecilia Gallardo de Cano, has been in office for almost six years and is in the process of transforming Salvadoran education. A number of new schools have been built, new teachers trained, and the budget increased. She has enlisted respected scholars—including some iden-

tified with the left—to write new textbooks. A two-volume *History of El Salvador*, published three years ago, for the first time tells Salvadoran schoolchildren important parts of their own history that previous texts had ignored as inconvenient, including the 1932 peasant uprising and the subsequent massacre of thousands of people by government forces.

Gallardo has brought a radical teachers' union, ANDES, into line through a divide and conquer strategy. She and the union now work together to improve the quality of education—in sharp contrast to the 1970s and 1980s, when ANDES and the government were implacable foes.

HOW FIRM A FOUNDATION?

In its almost six years in El Salvador, the UN Observation and Verification Mission has helped Salvadorans move from war to peace and has helped them learn new ways of peaceful social and political interaction. Its transition out of the country, in gradual steps negotiated with the government and the FMLN, is a model of how to close down a mission and wean a country from what was a positive, yet overwhelming, international presence during the first two years after the peace accords.

The successes of those first two years led to a great deal of enthusiastic rhetoric about the first elections since 1931 to include parties across the political spectrum. Nevertheless, those elections were more transitional than defining. Three years ago, the FMLN participated as a legal party for the first time; in 1997 it faces the challenge of improving on the 21 assembly deputies (of 84) and 15 mayors (of 262) that it won. ARENA, which has dominated elections for the last nine years, faces an uphill battle to hang onto its 39 deputies and 206 mayors. The political center has been damaged by the continuing decline of the Christian Democrats. However, center parties and the FMLN appear to have learned an important lesson from the 1994 elections: coalitions are the only way to beat ARENA. As a result, there are coalition mayoral candidates in the capital, San Salvador, in at least three of the largest adjoining municipalities, and in several other municipalities around the country for the March legislative and local vote.

Amid the challenges, the democratic process continues in El Salvador. The manner in which the upcoming elections are carried out will indicate just how firm the country's democratic foundation really is five years after the peace accords. ■

"The obstacles to consolidating the peace in Guatemala are substantial, and success is not guaranteed. At best, the peace process has given Guatemala its last viable chance to create a national agenda for development and democratization."

Guatemala's Long Road to Peace

DAVID HOLIDAY

On December 29, 1996, the longest-running guerrilla war in Central America came to an end with the signing of a peace accord between the Guatemalan government and the guerrilla Guatemalan National Revolutionary Unity (URNG) in Guatemala City. For the government, the URNG, and the international community, the Accord for a Firm and Lasting Peace is the first real opportunity for Guatemalans to come together to define a national governing agenda in terms of development and democratization; it may also be the last time they will be able to do so with substantial international economic support.

For the majority of Guatemalans—and despite the best efforts of the government and URNG—the signing of the peace accord passed without much fanfare. The “war” has not been the defining element of everyday life in Guatemala for at least the last 10 years, and the average Guatemalan does not see that “peace” will bring any radical transformation. Yet it is precisely this sense of alienation by ordinary citizens from the political process that the peace negotiations seek to address.

The especially difficult history of Guatemala should give pause about the real possibilities for change that the peace process might bring. Following the CIA-led overthrow of the democratically elected government of President Jacobo Arbenz in 1954, Guatemala was ruled for three decades by military-dominated governments rife with corruption. When revolutionary movements contested state power throughout Central America in the late

1970s and early 1980s, Guatemala repressed its guerrillas with a brutality unmatched in the region, leaving the country with the notorious distinction of being the Western Hemisphere's worst human rights violator.

Many observers believe that the continued existence of a low-level insurgency after the guerrillas were militarily defeated in the early 1980s served only to allow the military and others in government to retain their power and abuse it. Moreover, an atrophied judicial system, weak and corrupt police force, and a dominant military apparatus have contributed to Guatemala's high level of criminal violence, which has soared in recent years and is more than comparable to the postwar situation in neighboring El Salvador. Drug trafficking has also had an impact on Guatemala. The country is an important production outpost for marijuana and opium, and its vast land area and proximity to Mexico and the United States make it a useful stopover for drug shipments from South America.

The democratic transition initiated in 1986 has been scarcely more promising: coup attempts (by civilians and the military) have been a concern, citizen participation in electoral events has been consistently low, and governments have done little to attack the roots of poverty and racism that profoundly divide this country. According to the 1996 United Nations *Human Development Report*, the wealthiest fifth of the population has an income 30 times greater than the poorest fifth. Skewed patterns can also be seen in land tenure, with 70 percent of the arable land is owned by less than 3 percent of the population. The historic discrimination faced by the majority Indian population, which includes 22 different linguistic groups; has led some observers to comment that Guatemala is actually two countries, one Indian; one Ladino.

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The December 29 peace accord will itself do little to bring about an immediate or radical shift in the status quo, and the worst-case scenario for the peace process—just more of the same—cannot be ruled out. Nevertheless, some degree of optimism about the process that is unfolding may be warranted. Indeed, the peace process has led to important political developments away from the negotiating table and has generated a broad national dialogue on key issues.

The newly elected government of President Alvaro Arzú has undertaken several impressive political initiatives in its first year in office that have been instrumental in moving the peace process forward. Arzú has shown decisive leadership by removing abusive and corrupt military and police officers, launching a frontal attack against one of the most powerful mafias in the country, and swiftly concluding the peace talks that had plodded along through most of the 1990s.

Difficult challenges lie ahead, however, as both government and civil society assume responsibility for the success of the peace process. The government must meet ambitious targets for economic growth and increase spending on health, education, public security, and housing, while decreasing the military budget over the next few years. The price tag for the programs needed to implement the accords themselves comes to \$2.6 billion, much of which is being sought from the international community.

Ultimately, for the peace process to be successful, Guatemalans at every level of society will have to leave behind traditional attitudes of confrontation with state policies (or plain apathy), just as the state will have to prove its effectiveness by undergoing a thorough reform and modernization.

THE FRAGILITY OF CIVILIAN RULE

As the first elected civilian president following the fraudulent elections and military coups of the 1970s and 1980s, Christian Democrat Vinicio Cerezo was elected in December 1985 with a broad popular mandate (over 60 percent of the vote), but his power to govern was limited. While Cerezo was the country's first transition president, he took office accompanied by a military that had strategically defeated the guerrillas in the early 1980s. His power was also limited because he represented the traditional legal opposition, the Christian Democratic Party (DC), and was thus still somewhat suspect by the military. Finally, in the mid-1980s the cold war continued outside Central America and within the region, so the consolidation of an anti-

communist state was an essential aspect of the Guatemalan political landscape.

Cerezo's Christian Democratic government was a disappointing exercise in civilian rule: it became more corrupt with time, and substantial governing authority continued to reside in the hands of the military. As the winds of peace swept Central America in the late 1980s, hard-line military and civilian sectors tried twice to overthrow the government, in 1988 and 1989.

Thus began the DC's electoral decline, first signaled by the surprising electoral success of José Serrano Elías of the upstart Movement of Solidarity Action (MAS) party in 1991. Serrano, a fundamentalist Christian who headed the Council of State during the military government of General Efraín Ríos Montt in 1982–1983, won by the slimmest of margins in a runoff election against newspaper publisher Jorge Carpio of the center-right National Center Union (UCN). Serrano governed with little support in the legislature, requiring him to enter into a strategic alliance with the UCN and DC.

As a conservative who had the trust of the military, Serrano broke new political ground in firing his defense minister shortly after assuming office and arresting other officers accused of criminal activity. But he eventually showed that his leadership derived more from authoritarianism than from a desire to exert civilian control over the military: in May 1993 he carried out, with support from a faction of the military, an *autogolpe* (self-coup), dissolving congress and the Supreme Court and calling for new elections. Serrano claimed to have grown weary of the corruption and shady politicking he had been forced to accept in order to govern. The political practices of all branches of government had indeed been thoroughly corrupted but, as was later discovered, Serrano himself was no innocent. Civil society groups from across the political spectrum quickly mobilized against Serrano's coup attempt, and within days of the *autogolpe* Serrano and his closest advisers were forced to leave the country and a new president was installed by congress.

The 1993 *autogolpe* was a clear sign of the political class's failure to govern effectively in the new era. It was also the death knell for Serrano's MAS as well as the DC and UCN, which had led the transition and opened up space for newer parties to emerge. In the aftermath of the *autogolpe*, the former human rights ombudsman, Ramiro de León Carpio, assumed the presidency and momentum built for a "purge" of congress and the Supreme Court. In

August 1994, early elections were held for congress, which selected a new Supreme Court under revised procedures.

De León Carpio came to office with widespread popular and international support, but much of his domestic backing quickly dissipated as he distanced himself from and clashed with almost all organized elements of society—the private sector, political parties, labor and social activists—because of his handling of the congressional purge, tax reform, and the peace process. His only lasting support came, ironically, from the military, which was only too happy to show the world that it could get along with a human rights president. For some, de León Carpio's weakness was his inability to carry out any relevant state reforms. He saw his as a caretaker government, ruling without an electoral mandate and without a party supporting it in congress, and unwilling to engage in the wheeling and dealing necessary to carry out needed reforms.

In the postautogolpe congressional elections held in 1994, two parties emerged as front-runners: the Guatemalan Republican Front (FRG), led by former military ruler General Ríos Montt, and the Party of National Advancement (PAN), whose chief public figure was former Guatemala City Mayor (and briefly foreign minister under Serrano) Alvaro Arzú. Neither party is tainted by the history of corrupt political governance of the past decade. Both are economically and politically conservative, with the FRG finding more support in rural areas for its populist, law-and-order rhetoric, and PAN receiving support from urban Ladinos and others who favor a more cosmopolitan political leadership.

THE THREE MAJOR POLITICAL PLAYERS

Concurrent with this evolution of political parties and civilian rule, the Guatemalan military—which has dominated political life, directly or indirectly, since the 1954 coup—has also undergone significant changes in the last decade. Having dealt a strategic blow to what it considered international communism's inroads into Guatemala, the military reformulated its doctrine to one of "national stability" and enlarged the democratic opening of the mid-1980s.

The military-sponsored democratic opening led to the gradual resurgence of labor and social opposition movements, renewed military activity by the

erstwhile defeated URNG guerrillas, and constant, albeit more selective, political repression. The Serrano government's initiation of direct talks with the URNG in 1991 was supported by the military leadership as an important gesture to the international community, but it also appeared to further constrain the military's actions and allow for a wider political opening. Since then, fewer political activists have been assassinated, and some captured guerrillas—who in the past would have been killed or forced to collaborate—have been released or put on trial. Thus, the peace process, along with international pressure exerted on the few high-profile cases, such as the assassinations of Myrna Mack, Jorge Carpio, and Efraín Bamaca, and the 1995 slaying of 11 peasants in the refugee settlement of Xamán—have put the military on the defensive. But at the same time, the formal end to the war has provided the military establishment with a final opportunity to rehabilitate its international reputation.

In many ways, business elites have been even slower than the military to support negotiations with the URNG. Throughout the 1980s, the private sector did not directly suffer financially from the war; if anything, the war's logic kept labor costs down by impeding labor and peasant organizing. The so-called lost decade of the 1980s, used to describe the economic decline of Latin America, would not aptly describe the gains made by business elites. When Vinicio Cerezo took office in January 1986, he said that he held only 30 per-

cent of power, and it was widely assumed that the remainder rested with the military; he has recently clarified that a full 50 percent was in the hands of the private sector. Guatemala may have one of the most conservative business classes in Latin America: for example, although it has the lowest tax revenues in the hemisphere (under 8 percent, compared to the regional norm of 18 percent), the private sector has successfully blocked every attempt at tax reform in the last decade.

In the 1990s, however, two events occurred that made the private sector think more seriously about the possible advantages of ending the war through the peace process. First, the globalization of the world economy has meant that hemispheric free trade will be the future economic model, and the insurgency has been considered a serious barrier to Guatemala's insertion into the world economy. Second, the URNG began to collect "war taxes" from

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large landowners and ranchers, in part to make the war—and consequently the peace process—more relevant to them, and in part to finance their cause. Now, big business in Guatemala clearly understands that the peace process is the last and best chance to compete in the international economy by improving Guatemala's international image and attracting greater foreign investment.

The URNG, the third major political player, is the most recent incarnation of a guerrilla movement that dates to the early 1960s. It is comprised of four factions that began in opposition to military rule in the late 1970s and united as the URNG in 1982. Despite its current military weakness (at most, the URNG may have had some 2,000 people in arms), the rebel leadership claims that all the positive changes of the past decade, including the peace process and the democratic transition, would never have occurred without the persistence of the armed struggle. Even though a military victory has long been a remote prospect for the URNG, it has been slower than other Central American revolutionary movements in adapting to the international tides of change. When the militarily stronger Salvadoran guerrillas were reentering civilian life under a negotiated settlement in 1992, for example, many Guatemalan rebel supporters saw them as sellouts and continued to proclaim that Guatemala could do better.

In recent years, the thinking of the URNG leadership has become more pragmatic. Not surprisingly, for the movement's militants and followers inside the country who have struggled and sacrificed for years, the acceptance of anything short of their initial revolutionary goals has been a difficult and sometimes disillusioning process. In recently published internal documents, the guerrilla leadership admitted that its participation in peace talks had been merely tactical, but that with the initiation of UN-moderated talks, a negotiated political solution took on a strategic character.

THE PROCESS OF PEACE

Perhaps the most significant point of departure for the peace process was the initiation of direct talks between the Serrano government and the URNG in 1991. With Bishop Quezada Toruño serving as conciliator, this process produced an agreement on basic democratization principles and an agenda for future discussion, but became bogged down on several items concerning the human rights component of the discussions before being interrupted by the 1993 autogolpe.

In January 1994, during the de León Carpio government, a framework agreement for further talks between the URNG and the government was signed; the agreement named Jean Arnault United Nations moderator of the talks. Four more accords were signed during the de León Carpio administration (dealing with human rights, refugees, a truth commission, and indigenous rights), and five other accords (dealing with socioeconomic and agrarian matters; the strengthening of civilian power and the role of the military, a cease-fire, constitutional reforms, and reintegration of former combatants and reconciliation/amnesty) were signed in 1996 under the Arzú government.

The human rights accord was signed in March 1994. It went into effect immediately and established the United Nations Human Rights Verification Mission (MINUGUA). In November 1994, MINUGUA began setting up 13 regional and subregional offices throughout Guatemala to take complaints on violations of the commitments made by the parties in the accord. The accord establishing a truth commission aroused the greatest controversy among groups in civil society, since it indicated that it would neither be linked to judicial actions nor name names (as did the truth commission in El Salvador); instead, it would only determine the institutional responsibility for violations.

Under the accord on indigenous rights and identity, the government has committed itself to a series of reforms that are to address discrimination against the majority indigenous population. As in several other accords, these reforms are not spelled out in detail. Specifics regarding the official recognition of indigenous languages, political rights, education, indigenous land rights, and spirituality were left to joint commissions comprised of Indian and government representatives.

MOVING FORWARD

Shortly after taking office in January 1996, the newly elected government of Alvaro Arzú announced the resumption of peace talks with the URNG. By late March, an informal cease-fire had been agreed to; this, along with the March 1996 signing of the socioeconomic accord, sent a clear signal to the public that a peace agreement could be signed before the year's end.

The socioeconomic accord had taken a year to negotiate, and was agreed on only after the removal of sections that were unacceptable to the private sector. Some peasant groups criticized the accord, saying it did little to resolve the land question and

appeared to sign off on a neoliberal model of development, but business elites liked the fact that it did not commit the government to tax reform. It did, however, call for the government to raise its tax revenues from 8 percent to 12 percent of gross domestic product while also committing the government to increasing health, education, and housing budgets by 50 percent by 1999 (Arzú's last year in office).

The final substantive accord, signed in September 1996 in Mexico City, calls for reforms to the legislative, judicial, and executive branches, including a redefinition of the role of the military. Most important, the parties agreed to remove the army from public security functions and reduce its personnel and budget by a third, professionalize and transform the current police into a new civilian body, and create a civilian intelligence agency to handle internal security matters. The government also agreed to annul the law that provided for the Civil Defense Patrols (PACS) that were established in highland villages in the early 1980s to fight the guerrillas.

Focusing on the accords themselves does not reveal the full nature and significance of the peace process. The accords do not add up to a restructuring of the Guatemalan state, although they do point in that direction, stimulating further debate and reflection along the way. The clearest sign of this public involvement in the discussion of national issues is the formation of the Civil Society Assembly. For eight months in 1994, representatives from a broad array of social and civic organizations (labor, women, religious, political parties) came together and reached consensus positions on all the items on the peace accords negotiation agenda. While many of their positions (which usually tended toward those of the left) were not included in the final agreements, the process legitimized the need to engage the diverse political forces of civil society in the creation of a national agenda. Furthermore, key sectors of Guatemalan society have supported, rejected, or otherwise spoken out about all of the accords. While not every group supports everything signed, it is important that every sector has participated in a long overdue public debate about the nation's priorities and values.

Another aspect of the process that goes beyond the accords themselves are the political changes and initiatives that have been carried out away from the

negotiating table. On security issues, these changes reflect the military's need to demonstrate its good intentions toward reforms. In this vein, forced military conscription was halted in mid-1994, the system of military commissioners abolished in 1995, and the PACS demobilized in late 1996 before the final peace accord signing. Given the military's self-perception as a victorious army, it would have been difficult for it to hand over at the negotiating table what it felt it had earned militarily on the battlefield. Nevertheless, an important faction within the military also understood the importance of redefining its role and reforming its practices, both for purposes of international legitimacy and for domestic credibility.

THE ARZÚ DIFFERENCE

That Arzú has been able to move the peace process forward in ways that his predecessors were not is a testament to the genuine importance of timing, leadership, and the full exercise of the political power accorded duly elected governments. Alvaro Arzú reached the presidency in a runoff election that he won by the slimmest of margins, but his arrival was accompanied by his party's majority representation in congress. Arzú's embrace of the peace accords has also provided him with the most lucid plan for governance yet of any elected president.

Arzú's arrival also coincided with a generational change in the Guatemalan military—and when a self-purge by the military was clearly seen as a smart measure that would preempt further discussion of the issue at the negotiating table. Unlike any previous government, Arzú's administration seemingly has the full (although not unconditional) support of the private sector, which is probably the president's most important political ally. Thus, for the revolutionary left, this government appears to have the legitimacy and the good intentions to be able to negotiate and implement any agreement.

Equally important for the URNG, however, was the relatively good showing of a newly formed democratic left party, the New Guatemala Democratic Front (FDNG), in the 1995 congressional and municipal elections. The FDNG, which was formed largely out of the popular and labor movements, had received the implicit support of the URNG leadership; for the first time since forming the alliance in 1982, the URNG encouraged Guatemalans to par-

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ticipate in the elections. With only six months' preparation, little money, and no experience, the FDNG managed to win 6 congressional seats (out of 80) and 4 municipalities.

Before the elections the URNG had believed negotiations (reinforced by military actions) were the way to achieve its goals, working on the assumption that repression would make the electoral option unviable in the short term. But the FDNG's candidates managed to campaign with surprising ease; in fact, there was probably less electoral-related violence in these elections than in any recent contest, even though the left was fielding candidates for the first time. The presence of MINUGUA's human rights monitors was key. While not called upon to verify the fairness of the elections themselves (which have operated without fraud in recent years), MINUGUA's presence throughout the country was a determinant in the political decision to participate taken by most FDNG activists.

The FDNG's success, combined with the measures against military corruption and abuse taken by the Arzú government, apparently convinced the URNG to forego maximalist goals in the negotiations and to think more seriously about its rapid insertion into civilian political life, with an eye toward participating in the 1999 general elections.

ROGUE ELEMENTS

Another action taken by the Arzú government that lent credibility to the peace process was the arrest in September of the head of a powerful mafia based in the customs agency, Alfredo Moreno, and the dismissal of dozens of military and police officers thought to form part of his contraband network. Previous governments had knowledge of Moreno's illegal smuggling empire, which he had created following a stint in military intelligence in the 1980s, but none until Arzú had acted to dismantle it.

As daring and unprecedented as it was, the strike against Moreno was actually an astute political move by the president. First, by continuing to dismiss military officers involved in misdeeds (which in this case included the vice minister of defense), Arzú showed that he could use the powers vested in his office to exert control over the military. Second, the FRG presidential candidate he had narrowly defeated in the January runoff, Alfonso Portillo, turned out to be a close associate and friend of Moreno's, thus politically sinking the credibility of his most recent political rival. Third, the eradication of the customs mafia resulted in an immediate

and dramatic increase in duty revenues at the country's major ports, thus shoring up the government's sagging coffers. Similarly, as Arzú himself later said, the attack on the customs mafia was meant to improve investor confidence.

A different kind of incident involving the URNG led to a temporary suspension of the peace talks in October, when an urban guerrilla cell kidnapped an 86-year-old woman who belonged to one of Guatemala's wealthiest families, one that had been supportive of Arzú. The second-in-command of one of the URNG factions, the Organization of the People in Arms (ORPA), was apprehended in Guatemala City, and security forces then exchanged him for the kidnapped woman. Two weeks later, after the government had announced the details of the case, ORPA commander Rodrigo Asturias accepted political responsibility for what he claimed was an unauthorized action and stepped down from the URNG's negotiating team. The government then returned to the table, but not before passing through what UN moderator Arnault called the most delicate moment of the entire negotiations.

This kidnapping attempt, which most observers believe was carried out with the knowledge of Asturias, temporarily dampened the growing optimism among political elites about the peace process. Yet while many have called for the full prosecution of the guerrilla unit involved (which is still at large), few voiced demands that a full stop be placed on the peace talks. The incident dealt a serious blow to the URNG's moral credibility, debilitating its already weak negotiating position, but it also eliminated the possibility of any final temptations for URNG to backtrack. The URNG proposed the signing of a formal cease-fire agreement even earlier than had been scheduled, and in December the cease-fire and other technical accords were signed in Oslo, Stockholm, and Madrid.

WHOSE INTERESTS WILL BE SERVED?

The peace process has thus far merely reflected the broader dynamics of Guatemalan political life, in which the elite interests of major sectors of Guatemalan society have taken precedence over the demands generated by those on the bottom rungs of the economic and political ladder. For the first time, however, this process provides a point of departure for an agenda that can potentially be truly national—one that looks beyond the short-term interests that typically characterize policymaking in Guatemala. The accords call for the creation of new mechanisms for civic participation in local com-

munity development as well as in the setting of national policy. This will not be an easy road for a country in which many leaders and citizens are still imbued with authoritarian values and practices.

For the changes envisioned by this process to be successful, Guatemalan society—a society still fragmented and traumatized by war—will have to construct new cultural norms in which the idea of social responsibility plays a central role. Apart from the human toll and the psychological scars, the legacy of Guatemala's civil war has been the corruption of public institutions and individual values. Changing these are long-term propositions, but some short-term advances will be essential for forward movement.

The peace process will face four major challenges in the near future. First, the government, along with the private sector, must push through key reforms to modernize the state. A more efficient state would be better able to deliver the social spending promises of the peace accords, and would be better equipped to remedy the government's financial situation. Fulfilling the government's commitments for social spending is predicated on an annual growth rate of 6 percent, yet in 1996 growth was around 3 percent, Guatemala's worst showing during the 1990s. The Arzú government has said that it will issue no new taxes in 1997, but plans to increase revenue by improving its collection capabilities. Most observers believe that the administration's need for increased tax revenue may bring about an important change in its heretofore cozy relationship with the private sector.

A second challenge is improving the dysfunctional judicial system. Guatemala has implemented a progressive new criminal code that, in theory, modernizes outdated procedures and takes into account the multilingual makeup of Guatemalan society, but major resources and transformations are still needed. The credibility of the process lies in part with the government's ability to make good on its promise to combat impunity. Many Guatemalans hope that the dozens of military officers fired this year will eventually be prosecuted, but many cases have yet to be initiated. Human rights activists were discouraged in late December when congress passed a general amnesty law that will apparently leave political crimes and related common crimes

committed by the army and guerrillas exempt from criminal prosecution.

A third challenge is the increase in common crime and the continued role of the military in public security. The accords call for making the National Police a more professional force independent of military control. But this process of reform has been moving so slowly that it is likely the military will continue to be involved in crime-fighting for the foreseeable future. This is especially worrisome in rural areas, where the demobilization of the PACS (which in some areas did have a nonthreatening, public security function) will leave behind a security vacuum that the state is not yet prepared to fill. Furthermore, local conflicts (especially over land) can be expected to continue, if not increase, in the coming months, and the government may be tempted to call on military forces to participate in resolving these conflicts. The military has feared the emergence of organized indigenous groups; the longer military intelligence services assist in the countryside, the greater the potential for repressive actions.

Finally, the international community faces both a challenge and an opportunity in Guatemala. The government is soliciting some \$1.6 billion in international assistance for the financing of the peace accords over the next four years. The international community, especially European countries and international financial institutions such as the Inter-American Development Bank, appear prepared to support the process. The experience of El Salvador, however, arguably illustrates the importance of international donor coordination and conditioning the assistance on compliance with the peace accords. International donors should also be prepared to support United Nations verification of the accords as well as its programs for strengthening key institutions.

The obstacles to consolidating the peace in Guatemala are substantial, and success is not guaranteed. At best, the peace process has given Guatemala its last viable chance to create a national agenda for development and democratization. At worst, the diverse—and often antagonistic—interests at play in Guatemala's political and economic development will fail to unite around a newly defined set of rules and relations that would move the country forward. ■

"[W]hat do the October elections mean for Nicaraguan democracy and its revolutionary legacy? Were they the hoped-for 'consolidation elections'? Or is the country's path to democracy more circuitous?"

Nicaragua: Beyond the Revolution

JENNIFER L. MCCOY AND SHELLEY A. MCCONNELL

Nicaraguans demonstrated their faith in the democratic process by turning out in large numbers to cast their ballots in a second transitional election on October 20, 1996. After more than 15 years of revolution, war, hyperinflation, and attempted reconciliation, Nicaraguans saw the 1996 balloting as an important test of democratic consolidation.

The election results placed in stark relief the continued polarization of Nicaraguan society, with the two best organized parties on opposite sides of the political spectrum garnering 89 percent of the vote. Former Managua Mayor Arnoldo Alemán won the presidential election with 51 percent of the vote, and former President Daniel Ortega came in second with 38 percent. The much-vaunted "center" disappeared, with none of the remaining 21 candidates receiving more than 4 percent of the vote.

The elections themselves were poorly administered, with numerous irregularities. Ortega's Sandinista National Liberation Front (FSLN) charged fraud and questioned the legitimacy of the process and the new leaders it produced. At the same time, the FSLN was careful to respect the legal authority of the Supreme Electoral Council to declare the winners, and committed itself to filling its own elected positions in the legislature and municipal governments. International observers concluded that the elections had serious shortcomings, but by and large reflected the preferences of the voters.

With this ambiguous outcome, what do the October elections mean for Nicaraguan democracy and its revolutionary legacy? Were they the hoped-

for "consolidation elections"? Or is the country's path to democracy more circuitous?

PRELUDE: THE CHAMORRO YEARS

In 1990, Nicaraguans conducted elections in which one party transferred power to its elected opponents for the first time in the country's history, and a revolutionary government voluntarily gave up power. Under President Violeta Chamorro's tenure between 1990 and 1996, Nicaragua made peace with the contras (the United States-backed armed opposition to the Sandinista government), dramatically reduced the size of the Nicaraguan army, conquered hyperinflation of 13,500 percent, and weathered a constitutional crisis in which a balance of power was established between the once-dominant office of president and the legislature.

Nicaraguans began to practice the art of politics in earnest. Political parties and alliances split and regrouped in a continual kaleidoscope in the National Assembly, with politicians vying for power and favors and learning the skills of negotiation and logrolling. Outside the legislature, former foes began to talk and forge fluid and sometimes strange alliances: demobilized contras joined former Sandinista soldiers to demand land from the government; the FSLN allied with a faction of the Resistance Party (formed by former contras) in the elections; and two brothers-in-law (former Minister of the Presidency Antonio Lacayo and National Assembly President Alfredo César) stopped talking to each other as they took opposite sides in the institutional tug-of-war between the executive and legislative branches.

But while the political elites in Managua reveled in their debates, the many people suffering from unemployment and hunger grew more disenchanted. The Chamorro government restored macroeconomic stability, reducing inflation to single digits, negotiated relief of the bulk of the \$10

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billion foreign debt, and oversaw an average annual economic growth rate of 4 percent from 1994 to 1996. Yet political uncertainty and conflict over property rights and privatization slowed investment and kept under- and unemployment at nearly 50 percent of the active population; unemployment was cited by 75 percent of respondents in a June 1996 public opinion survey as the number one problem they faced.

TOO MUCH, TOO SOON, TOO FAST

Nicaragua approached the October 1996 elections as a politically polarized society, with a lingering distrust between the major political actors. In 1990, the level of distrust was so deep that the Sandinista government and National Opposition Union (UNO) invited the United Nations, the Organization of American States (OAS), and the United States-based Carter Center (established by former President Jimmy Carter in 1986 to promote peace and democracy around the world) to monitor the elections. The observers helped open the political space and mediate disputes, thus raising confidence in the electoral process.

In 1996, the parties asked the international observers to return; a national observer organization was proposed, but Nicaraguans had more confidence in outsiders. The OAS and five United States nongovernmental organizations, once again including the Carter Center, monitored the entire electoral process.

The National Assembly had rewritten the election law in December 1995, creating a new, pluralist election authority under the Supreme Electoral Council. First, the SEC was charged with a massive reorganization of the election bureaucracy. Following changes in the country's administrative divisions, the election law changed the 9 geographic electoral departments to 17, and doubled the number of individual polling stations from the 1990 elections. This required not only additional officials, but also new cartography and revised voter assignments.

Second, with some parties fearing that the electoral machinery was still run by Sandinista bureaucrats, the new law required that political parties nominate candidates for posts on the 17 departmental electoral councils and at the 8,995 polling stations; officials would then be appointed by the SEC on a pluralist basis. The SEC itself had been reconstituted in mid-1995 when the National

Assembly elected a whole new slate of magistrates, nominated by the parties, with only one carryover from the previous council.

Third, under the 1995 law, the assembly mandated simultaneous elections for six different races: president and vice president, the National Assembly, the Central American Parliament (a new regional body), mayoralties, and municipal councils. With 24 political parties and popular organizations participating, each of the six separate ballots turned out to be nearly three feet long.

Finally, the assembly approved a mixed voter-registration system because the program to provide every Nicaraguan with a new permanent identification card (*cédula*) could not be completed in time for the 1996 elections. In 26 municipalities in the mountainous central corridor of the country, where access was difficult and security threatened by armed bandits, voters registered over four weekends

in June and received the traditional voter identification card (*libréta cívica*). Initially, this proved controversial not only in Nicaragua but also among conservative Republicans in the United States Congress, who felt that this ad hoc registration system would discriminate against peasants who were expected to support Arnoldo Alemán's Liberal Alliance. In fact, this registration method was much easier and faster than the new *cédula* method, and many more people registered than had been expected.

The immediate effect of the new law was to prompt the SEC president, Dr. Mariano Fiallos, to resign because he feared the law would produce an inexperienced and politicized election authority incapable of carrying out the complicated elections. Indeed, the departmental electoral councils were not appointed until April, six months before the elections, and the polling station officials were chosen only weeks before. Consequently, there was little time for the new officials to be trained and to learn how to manage an exceedingly complex electoral process.

THE CAMPAIGN

The electoral campaign evoked Nicaragua's past. Arnoldo Alemán campaigned on a platform of private property, job creation, and giving land titles to the thousands of urban and rural poor who had received land under the land reform undertaken by the Ortega and Chamorro governments. He combined a populist message with reassuring signals

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to his Miami campaign financiers, and slowly gained the confidence and financial support of Nicaragua's economic elite. Alemán had demonstrated his considerable organizational and coalition-building skills during his term as mayor of Managua by creating a formidable national political base and uniting most of the splinter parties from the Liberals, one of the grand old parties of Nicaraguan history (and the party claimed by the Somoza family). He even reached into the rival Conservative Party for his running mate and some future ministers.

Daniel Ortega revamped his own and his party's image by moving toward the center, acknowledging past Sandinista mistakes, committing himself to a market economy, and recruiting a businessman and rancher to be his running mate. He learned from his 1990 defeat, when the hated military draft worked against him, and promised in 1996 never to reinstate it. His campaign slogan was "Government for All," and his television spots were feel-good messages promising to unite all Nicaraguans.

The campaign was violence-free, but each candidate warned of a return to a dark and dangerous past if the other won. The Liberals talked of the Sandinista revolutionaries as tyrants, terrorists, and snakes who had ruined the country economically and morally. The Sandinistas accused the Liberals of being *somocistas* who would bring back the injustices against which the Sandinistas had struggled long and hard. Neither side presented new ideas or concrete programs for the future. Although Ortega and Alemán rejected invitations for a public debate, the other 22 parties campaigned hard and participated in numerous televised debates and public forums.

As election day approached and polls showed Ortega rapidly catching up to Alemán, tensions between the Sandinistas and Liberals increased. Despite strong rhetoric, however, there was no violence at rallies.

Technical rather than political problems dominated the list of concerns among international observers. The delivery of voter identification documents was slow: less than one month before the elections, more than 600,000 voters (almost 30 percent) had yet to receive documents. Even though the SEC extended the delivery of documents up to the day before the elections, significant numbers of voters in the northern Atlantic coast region did not receive cards in time to vote.

Political parties complained that their public election funds were not delivered in time for them

to campaign fully. Delays in printing the ballots raised fears that the SEC could not deliver them in time for the elections. All these concerns ran deep enough that a proposal to postpone the elections was introduced in the National Assembly. The proposal was widely opposed as being costly and disruptive and ultimately failed, but it emphasized the uncertainty about electoral preparedness.

Despite these logistical delays and last-minute improvisations, election day turned out to be peaceful and calm, with about 80 percent of eligible voters going to the polls and waiting patiently in long lines to vote. Party poll watchers oversaw the vote at 99 percent of the polling sites; there were 4,200 national observers and 1,200 international observers as well. Because of the sheer complexity of the elections, with six ballots and three voter documents, the voting was sometimes slow.

Dedicated electoral workers and observers remained for hours afterward to count the ballots. A simple lack of carbon paper turned out to be the culprit for many mistakes, as exhausted officials wrote by hand up to 20 copies of each of the six tally sheets for the poll watchers and election authorities. All election materials were then transported to departmental counting centers, where any challenges filed by pollwatchers could be resolved and the tally sheets added up. Poor planning caused huge delays in receiving the materials; there was even rioting among exhausted election workers waiting to turn in ballots and receive their pay in Managua. Election officials lost track of what they had received and simply piled up bags and ballots in total disarray.

RECOUNTS, RECURSOS, AND RESULTS

Alemán claimed victory before dawn on October 21, with less than 10 percent of the vote results in. By early afternoon, party pollwatchers were reporting irregularities in the telephone transmission of the early returns to the national computing center, triggering concerns among Sandinistas and other parties that the vote count had somehow been compromised. The following day, eight small political parties held a press conference to express their concerns.

If the parties were worried, most observers were not. They held press conferences praising the peaceful participation and high turnout on election day, and many—though not all—left Nicaragua within a few hours with strong, positive assessments of the elections. This further inflamed the parties that were uncovering numerous anomalies in the vote count.

The observers who stayed gradually became aware of events unfolding at the counting centers, where it took three weeks to correct mathematical errors and address the parties' concerns. In some cases the ballots themselves had to be recounted where the vote totals did not add up or where tally sheets were missing or unsigned. In the worst cases, in 204 of 2,265 polling stations in Managua, the ballots were either in unmarked bags or missing entirely.

The bulk of the problems appeared in Managua and Matagalpa, the two most populous departments, where the presidents of the department electoral councils were both Liberal Alliance appointees. The FSLN and several other parties charged that the vote review was biased, but they did not present persuasive evidence of fraud. Instead, they argued that the disorder itself was part of a plan for a diffuse fraud orchestrated from below.

On November 8, the review was completed and provisional final results were announced. Within days, close to a dozen parties and alliances filed appeals (*recursos*) calling on the SEC to investigate the validity of certain results during the official period for appeals and resolutions. By far the most extensive appeal was the FSLN's, which came close to 650 pages and concluded by demanding that the SEC annul the elections and hold new ones in the departments of Managua and Matagalpa. Although the SEC investigated these appeals and annulled the results of 5 percent of the polling stations, it rejected the FSLN's petition on the grounds that fewer than 50 percent of the voters were affected by the problems, which thus did not constitute a legal basis for new elections.

The results were finalized on November 22, a full month after the elections, and Arnoldo Alemán was declared the winner with 51 percent of the vote. Daniel Ortega came in second with 38 percent, and third place went to the Christian Way (Camino Cristiano) candidate Guillermo Osorno with 4 percent. The Liberal Alliance won 42 seats in the 93-seat National Assembly, 5 seats short of a majority. The FSLN won 36 seats, and 9 other parties split the remaining 15 seats.¹

¹Camino Cristiano won 4 seats; Partido Conservador de Nicaragua 3 seats; Proyecto Nacional 2 seats; and the following each won 1 seat: Partido Resistencia Nicaraguense, Movimiento Renovador Sandinista; Alianza Unidad; Partido Liberal Independiente; Acción Nacional Conservador; and Alianza UNO-96.

Mayors were directly elected for the first time; the Liberal Alliance won 91 and the FSLN 52 races for mayor. Despite the fact that independents had been ahead in polls before the elections in Managua, Matagalpa, and other cities, coattail effects left them winning only two small townships. The complexity of the ballots may have also reduced the number of people splitting their votes for fear of mismarking them. Indeed, the 1995 constitutional reforms call for local elections to be separated from national ones in the future, with the former scheduled for 2000 and the latter for 2001.

THE AFTERMATH

The stakes were high for all the actors in the elections. UNO had splintered in the first year after the 1990 election, and a total of 35 parties and popular organizations registered for the 1996 elections. The smaller parties staked their survival on the new election law, which provided at least \$150,000 in

public campaign financing for each party, but required any party that failed to win a seat in the new legislature to repay the loan. Since Nicaraguan law also provides for losing presidential candidates with approximately 1.5 percent or more of the popular vote to gain a seat in the legislature, there was an added incentive for ambitious political elites to form personalist microparties as vehicles for their presidential campaigns. A flurry of negotiations before the May filing deadline failed to produce any alliances that could

compete with the two well-organized parties, and in the end only three presidential candidates—Ortega, Christian Way's Osorno, and Partido Conservador de Nicaragua's Noel Vidaurre—met the 1.5 percent floor, and only 11 of the 35 political parties or alliances survived.

Alemán's Liberal Alliance was a coalition of several parties and party factions. His Liberal Constitutional Party (PLC) attempted to avoid UNO's fate by taking most of the legislative seats itself and rewarding the remaining parties of the coalition with ministerial appointments. Alemán's immediate postelection challenge was to form a majority in the National Assembly.

The Sandinistas were fighting to survive as a party and to salvage the vestiges of their revolution. In 1995 the party's intellectual wing had left to follow former vice president and novelist Sergio Ramírez in forming the Sandinista Renewal Movement. The working-class base of the *ortodoxos*, including the

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more radical elements of the party, remained with Daniel Ortega and the majority of the party's national directorate. The conscious moderation of the campaign message effectively raised the Sandinistas' support from its core of 25 percent of the population to nearly 40 percent in the elections, but its twice-defeated presidential candidate was in a weakened position in the party's postelection decision to withhold recognition of the Alemán victory.

Were Sandinista concerns about the elections justified? Although it was not publicly announced, the discovery of serious anomalies during the three-week official count and review resulted in the presidential vote being annulled in 510 (or 5.6 percent) of the polling stations, and five other races being annulled in as many as 577 polling stations, mostly in Managua and Matagalpa. There are a handful of towns where the mayoral races were close enough, and the number of annulled ballots high enough, that it is possible the anomalies affected the outcome. But the irregularities have not shown a pattern of bias in favor of one party (the definition of fraud), and the elections generally reflected the preferences of the Nicaraguan people.

The inconsistencies and partisan conflict during the vote review period, and the failure of the SEC to explain its decisions, aggravated Sandinista doubts about the electoral process. On November 24, Daniel Ortega announced on television that "fraud was mounted to avoid going to a second round" in the presidential race. The party was particularly concerned that the disorder and political polarization that characterized the elections had opened opportunities for fraudulent actions, and that this would set a precedent for substandard elections in Nicaragua.

On November 27, the Sandinistas decided to acknowledge the Alemán government as the country's legal authority, but not a legitimate one because of the number and nature of the irregularities. This questioning of the moral basis of the elections would seem to herald a return to past politics of confrontation, but the streets did not erupt in protest. Nor were the Sandinistas planning to return to the mountains to fight a guerrilla war. Instead, they agreed to take their seats in the legislature and the town halls, and to accept the fact that Arnoldo Alemán would lead the next government.

DEMOCRACY'S FUTURE IN NICARAGUA

The elections highlighted the ongoing political polarization of Nicaraguan society. Does this point toward ungovernability and instability, or are there

signs of conciliation, compromise, and a respect for the rule of law that underlies democratic consolidation? Harking back to their country's two-party past, some Nicaraguans see the onset of a new period of stable bipartisanship as reflected in the election results. The difference, of course, is that one of the current parties had its origins in a revolution and the other is not a single party but a coalition. Likewise, society itself has undergone significant transformation in the last two decades. One positive sign is a clear respect for the rule of law and peaceful resolution of disputes, evidenced in the civil manner in which parties pursued their complaints and appeals through established legal mechanisms after the October elections. Nicaraguans have clearly moved their conflicts from the battlefield to the political and legal arenas.

For all the electoral drama of recent months, the core issue in Nicaragua remains that of property. Conflicts over property have undermined Nicaragua's attempt to attract productive investment, generate employment, and attack the serious issues of poverty. After years of wrangling and stalemate, all the vested interests met in the beach resort of Montelimar in July 1995 to search for a resolution to the divisive property issue. Expropriations, confiscations, and land reform under the Sandinista government had deprived 5,200 former owners of their property, and furnished 120,000 others with land and houses. The resulting property law (No. 209), approved in November 1995, tried to reconcile two visions of property rights: that private property rights must be respected and former owners appropriately compensated for any property not returned; and that a social benefit is obtained when the poor receive property in rural and urban land reforms.

Despite a painstaking negotiation process and consultation with economic and social organizations, the resulting law did not win the support of all political forces, and Alemán threatened to change it if he won the elections. Especially controversial were the provisions that allowed Sandinista leaders to continue to live in or use for organizational purposes about 300 large houses, provided they paid a tax in installments equivalent to the current market value. The Alemán campaign proposed instead that the occupants either pay current market value in full, immediately, to the prior owner or be evicted.

A second controversial issue was an accompanying law (No. 210) that provided for the proceeds from the partial privatization of the telephone com-

pany to be used to guarantee property bonds issued by the Nicaraguan government to compensate former property owners when their property could not be returned because it had been given away in the land reforms. The Alemán camp proposed to use privatization revenues only for productive purposes, and opposed their use to guarantee the bonds. They preferred that property owners be compensated directly by the occupants of their property, or that other sources such as international aid be used to compensate for property taken for land reforms.

If the parties can find common ground on the property issue, the new government will be able to foster a safe investment climate and generate employment. The Sandinistas will be looking to the Alemán government for signals about how it intends to handle this sensitive issue, and whether it intends to abide by the laws in place or overturn them. The primary area of consensus between the Liberals and the FSLN is that small property holders should receive titles to their land—a promise which generated significant peasant support for Alemán.

The appeal of the Liberals' populist rhetoric and the ability of the FSLN to retain the same percentage of votes as in 1990 reflect the continued political salience of the gap between rich and poor. The inflated expectations in 1990 that democracy would translate into prosperity led to disenchantment when they could not be met under the Chamorro administration. In 1991, 50 percent of Nicaraguans viewed the government and political parties negatively and as unresponsive to the needs of the people. By late 1994 those numbers had grown to 83 percent and 79 percent, respectively. Remarkably, three-quarters of the population still believed elections could make a difference in solving the problems of the country, and Alemán successfully positioned himself as the candidate for change by

contrasting his program with the failures of the Chamorro and Ortega governments.

For its part, the electoral branch emerged from the 1990 elections with substantial support, but by August 1996, 43 percent of Nicaraguans reported having little or no confidence in electoral authorities. The subsequent charges of fraud and mismanagement of the 1996 elections pose additional challenges to the SEC to restore confidence in the vital institution of elections.

The path of democratization is nonlinear and multidimensional. Progress on some fronts may be accompanied by regression or stagnation on others. Elections constitute simply one element, providing the mechanism for a society to choose its leaders periodically and begin again the give-and-take of politics that produces solutions to national problems. The economic and social problems in Nicaragua are particularly weighty, a fact that strains fragile democratic institutions. Nonetheless, these institutions are surviving and adapting. The challenge for Nicaraguans is to ensure that they adapt in a democratic rather than authoritarian direction.

The 1996 elections have reconfigured the cast of actors and presented a new array of opportunities for addressing the endemic social and economic problems that motivated the revolution and conflict of the last two decades. Key indicators of whether democracy is taking root will include the extent to which the National Assembly grows into the new responsibilities it acquired under the 1995 constitutional reform, even while its large freshman class relearns the coalition-building and bargaining tactics mastered by the outgoing assembly; and the extent to which President Alemán reaches out to the opposition to forge bipartisan policy, and the Sandinistas work constructively with the government while defending the interests of their supporters. ■

"[D]emocratic consolidation requires that the mass public as well as the political elites accept the democratic process as legitimate. Unfortunately, ordinary Hondurans are beginning to lose faith in electoral democracy just as their political leaders are learning to function under its rules."

Doubting Democracy in Honduras

J. MARK RUHL

While it was never engulfed in civil war, the regional political upheaval of the 1980s profoundly affected Honduras. The United States transformed this poor, mountainous, Pennsylvania-sized nation of 5.6 million into a sanctuary for the Nicaraguan contras and a base of operations for American efforts to defeat leftist guerrilla forces in El Salvador. Unprecedented amounts of American military and economic assistance poured into Honduras in return for cooperating with these efforts, and an expanded Honduran military became a key ally of the United States. Behind a facade of civilian democracy, the political power of the armed forces grew. American officials ignored rampant military corruption and overlooked the human rights abuses of the military's dirty war against suspected domestic subversives. The American embassy also became remarkably tolerant of the government's economic mismanagement and failure to institute needed economic reforms.

With the demise of the revolutionary threat to Central America and the end of the cold war, American policymakers no longer have reason to underwrite a corrupt, oversize Honduran military or irresponsible civilian economic decision making. Instead, United States policy in the 1990s has promoted the subordination of the armed forces to democratically elected authorities and the implementation of a neoliberal structural adjustment program. The United States has become one of the military's strongest critics, and American military aid has dwindled to almost nothing. At the same time, continued economic assistance has been made

contingent on Honduran compliance with IMF and World Bank demands.

Since assuming office in 1994, President Carlos Roberto Reina, a member of the Liberal Party, has struggled to bring the military under civilian control and to meet the economic reform requirements of international financial institutions. Although Reina has been unable to subordinate the military completely or to bring about dramatic economic improvements, his administration has achieved significant progress in both areas. Nevertheless, the Liberal government is unpopular with a large majority of Hondurans, who blame the stodgy, 70-year-old president for soaring inflation, slow economic recovery, and failure to control a terrifying new crime wave. Dissatisfaction with Reina has not caused a shift of public support to his National Party rivals. Instead, most Hondurans, inundated with recent newspaper reports about widespread corruption in the previous Nationalist administration of Rafael Callejas, appear to have become disillusioned with the self-seeking political class that leads both traditional parties. The beginning of the 1997 presidential campaign has been greeted with indifference as citizens groups increasingly resort to direct action to achieve their political ends.

THE CALLEJAS LEGACY

National Party leader Rafael Callejas, a longtime friend of the Honduran military, was unable to prevent the United States from slashing military aid in 1993 to \$2.7 million. (American military aid has steadily decreased since 1984, when it reached an all-time high of \$77.5 million.) He also unsuccessfully opposed a campaign led by United States Ambassador Cresencio Arcos between 1991 and 1993 to bring the armed forces under the rule of law. Encouraged by this striking turnaround in American policy, human rights organizations, student

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groups, and labor unions joined with the Catholic Church and business organizations in a broad antimilitary movement. This movement helped bring about the first convictions of high-ranking military officers for serious crimes and stimulated an avalanche of press revelations about military involvement in human rights violations, corruption, and other criminal activity.

The dramatic change in United States policy and the increasing assertiveness of Honduran civil society eventually compelled a reluctant Callejas to appoint respected law professor Leo Valladares to the new post of human rights commissioner and to name an Ad Hoc Commission for Institutional Reform. The commission launched a probe of the military's national police branch, the Public Security Force (FUSEP), whose National Directorate of Investigations had been implicated in a variety of illegal activities. In December 1993, shortly before Callejas left office, Valladares published a report that blamed the military for 184 disappearances during the 1980s and the commission recommended the establishment of a civilian Directorate of Criminal Investigation (DIC).

REINING IN THE MILITARY

During his 1993 presidential campaign, Carlos Reina pledged to reduce the role of the military in Honduran politics. In his first three years in office he has achieved far greater progress toward this goal than anyone expected. Backed by the United States embassy and Honduran civil society, this former president of the Inter-American Court of Human Rights first implemented the recommendations of the Ad Hoc Commission by disbanding FUSEP's investigative arm and replacing it with an American-trained, civilian DIC. The DIC was placed under the control of a newly created Public Ministry headed by Angel Edmundo Orellana, the aggressive prosecutor general. Reina also transferred the Treasury Police to civilian control and endorsed a constitutional reform process under which FUSEP will be eventually converted to a civilian police force.

The president's most popular achievement, however, has been the passage of constitutional reforms in 1994 and 1995 that replaced obligatory military service and the hated press-gang recruitment system with voluntary military service. A draft lottery was employed as an interim recruitment device in 1994, but many of those called to serve refused induction or later deserted. The inability to use press-gangs to fill the military's ranks has drastically reduced the size of the armed forces from 26,000

during the 1980s to a mid-1996 level of about 12,000. Of the current 12,000, only half is comprised of formal military personnel; the rest consists of the 6,000-strong national police. With army recruits earning less than \$5 per month, few volunteers have come forward. Indeed, the December 1996 expiration of the two-year enlistments of soldiers inducted in 1994 will shrink the regular military to about 3,000 officers and enlisted personnel.

President Reina claims he is disappointed by the failure of the volunteer military service to attract more recruits. However, the armed forces suspect that the president has been pleased to see their decline since a smaller military carries less political weight. Reina had steadfastly refused military requests for a new draft lottery, which the amended constitution still permits if the number of volunteers is insufficient to meet force levels established by Congress. Although Reina has subsequently appeared willing to reconsider, Congress shows no signs of setting a minimum size for the armed forces or passing the legislation necessary to establish a new draft.

Because the national police force is much too small to cope with the huge increase in crime that has occurred in the 1990s, regular army units have frequently been used to help patrol Tegucigalpa and San Pedro Sula. In addition, the army has cleared protesters blocking major roads and has used force to end peasant land occupations. Rising social unrest linked to the country's difficult economic situation promises to generate more such threats to public order in 1997. Growing security concerns may soon force President Reina and Congress to accelerate the transformation and expansion of the national police or to institute an unpopular new draft lottery to refill the army battalions.

Along with dwindling enlistment levels, declining financial resources have weakened the military. Reina cut a military budget already depleted by the end of generous United States military assistance, which fell to \$400,000 in 1996. The military's 1997 draft budget of \$28.6 million is little more than half the sum requested and will leave most regular units with insufficient funds to carry out basic training exercises and maintain their equipment. Under constant pressure from international financial institutions to trim the national budget, the Reina government has refused to provide the funds necessary to raise military salaries to a level that would make voluntary service attractive. Underpaid junior officers are resigning in droves as the grumbling within officer corps grows louder. Four officers

were briefly detained in August 1996 after apparently contemplating a move against the head of the armed forces, General Mario Hung Pacheco, because of the desperate economic conditions in the military, although ultimately they were never charged.

The financial squeeze on the armed forces was further intensified when Reina removed important sources of illicit income from the armed forces by terminating military control of the Honduran telecommunications system, the immigration department, and the merchant marine. The prosperous Military Pension Institute (IPM), a holding company for enterprises owned by the pension fund, remains under military control but its profits accrue to its retired beneficiaries, not to the armed forces budget.

Unlike previous presidents, President Reina has regularly asserted his constitutional prerogatives concerning military appointments. Despite the opposition of the armed forces chief, Reina selected Colonel Alvaro Romero, a respected military professional, to head his presidential guard, insisted on Romero's promotion to brigadier general, and retained Romero's command even after the retirement of the rest of his *promoción*, or military academy graduating class. In an unprecedented move, Reina ignored the candidates submitted by the military high command when he chose United States Army War College graduate Colonel José Luis Nuñez-Bennett as minister of defense and public security in 1996.

WALKING A THIN LINE

Reina has demonstrated his independence and reduced the power of the Honduran military through these actions. However, the armed forces still retain substantial institutional autonomy and political influence. Cognizant of the potential dangers of pushing the military too far, Reina has avoided unnecessary confrontations and, where possible, sought mutually acceptable compromises on civil-military issues. He has also taken every opportunity to praise the professionalism of the armed forces in spite of mounting evidence of military corruption and criminal activity. Nor did Reina oppose the selection by the Supreme Council of the Armed Forces (CONSUFFAA) of Mario Hung Pacheco, with whom he had clashed publicly over the voluntary military service law, as the new head of the armed forces.

Under the military-influenced 1982 Honduran constitution, the president has no legal role in the selection or dismissal of the armed forces commander. Instead, when the commander's term is about to expire, CONSUFFAA sends three names to Congress, which traditionally selects the first officer on the list. Although Reina could have moved to alter this arrangement before General Hung's selection in January 1996, he did not. In return, the military agreed to subordinate itself to a presidentially appointed defense minister when Hung's term ends in 1999.

A clear example of the limits of civil-military reform has been the inability of civilian judicial officials to bring active duty or retired military personnel to trial for human rights abuses committed in the 1980s. In July 1995, nine officers and enlisted men were called to testify in a case involving the illegal detention and torture of six students in 1982. All nine refused to cooperate, and when arrest warrants for three of the officers were issued in October, they went into hiding. General Hung has called on these officers to give themselves up, but it is common knowledge that the military has protected them for over a year.

Two other important cases involving alleged 1980s human rights abuses by military officers began in 1995, but the only officer to cooperate with judicial authorities was one who could prove

that he had been outside the country at the time of the incident with which he was charged. The military claims that its personnel are covered by the same amnesties signed by President Callejas that have protected former leftist guerrillas from prosecution. The Supreme Court has ruled, however, that this determination can be made only by the trial judges after the facts of the cases have been ascertained. The situation remained at a stalemate in late 1996.

Military officers angry with what they perceive as the persecution of the armed forces under Reina are suspected by many to have been behind a series of bombings in 1995 and 1996 that have targeted the president, the Congress, the Supreme Court, and human rights activists. Several of the judges in human rights cases have received death threats and a number of potential witnesses have died mysteriously. The high command no longer has a credible military coup threat to use against civilian authorities because of the certain opposition of the United States and Honduran civil society, and the uncertain

*The beginning of the
1997 presidential
campaign has been
greeted with
indifference.*

support of enlisted personnel and the divided, demoralized officer corps. Nevertheless, many analysts argue that the recent wave of bombings indicates that individual groups of officers, perhaps with the military leadership's complicity, still have the capacity to intimidate civilians. In addition, military personnel—as in recent allegations involving FUSEP officers and a string of bank robberies—continue to engage in ordinary criminal activity despite the increasing risk of prosecution.

THE ESCALATING ECONOMIC CRISIS

With a per capita GDP of less than \$600, Honduras ranks as one of Latin America's poorest countries. Its economic performance traditionally has depended on its ability to export bananas, coffee, and a few other primary products and its success in attracting external assistance. Most Honduran governments have added to the country's economic difficulties by heavily subsidizing prices for public services and rewarding too many of their partisan followers with government jobs. Not surprisingly, large fiscal and balance of payments deficits occurred during the 1980s. Although American ambassadors scolded the government for its inept economic policymaking during these years, the United States provided enough financial support to enable Honduran leaders to manage these deficits without resorting to politically costly reforms. However, when Honduras's strategic value declined toward the end of the decade, the United States government refused to bankroll the country's fiscal irresponsibility. At the same time, international financial institutions intensified, with the support of the United States, their demands for the adoption of a structural adjustment program. By the time Rafael Callejas became president in 1990, he had little choice but to institute the orthodox economic reforms that previous presidents had resisted.

During the first three years of his administration, Callejas successfully reduced the nation's chronic fiscal deficit, liberalized trade, and developed a realistic exchange rate policy. These initiatives won generous foreign financial support and produced respectable economic growth rates with declining inflation. His economic policies also attracted millions of dollars of foreign investment in new *maquiladora* assembly plants, which export textiles and other goods to the United States market.

Unfortunately, the National Party leader squandered a good deal of this economic progress during the 1993 election year when he raised public sector capital spending by almost 50 percent and granted

hefty wage increases to government employees. These actions pushed the fiscal deficit back up to over 9 percent of GDP. It is widely believed that the increased capital spending also made it possible for Callejas and his associates to extort lucrative kickbacks from contractors. This misguided policy reversal generated a second consecutive year of GDP growth greater than 6 percent, but it also re-ignited inflation and overstimulated imports, causing the balance of payments deficit to balloon and draining most of the country's hard currency reserves. Callejas cleverly slowed the lempira's devaluation and decreed a selective price freeze that temporarily hid the inflationary impact of his fiscal mismanagement.

REINA'S EVAPORATING ECONOMIC PROSPECTS

When Reina's Liberal economic team arrived in office in 1994, it found the economy in far worse shape than official statistics had indicated. Moreover, President Reina had only a modest understanding of economics, and no economic program beyond the idea of somehow easing the damaging effects structural adjustment imposed on the 70 percent of Hondurans who live below the poverty line. To make matters worse, the economic crisis the Liberals had inherited was exacerbated by a drought that severely reduced the country's hydroelectric power-generating capacity. In a matter of weeks, Reina's popularity disappeared as Hondurans unfairly blamed him rather than his slick predecessor for spiraling inflation, rising unemployment, and power outages of up to 14 hours a day.

Although Reina was not responsible for the economic situation he had inherited, his initial indecisiveness about how to respond to it did little to inspire public confidence. With his cabinet divided over what course of action to take, the president adopted some needed austerity measures while refusing or postponing others. He did not embrace a more thorough and coherent austerity policy until he was forced to do so in mid-1994 by growing pressures from the IMF and World Bank. During the second half of 1994, the Reina administration braved intense public opposition with a highly unpopular package of new taxes. Monetary policies were tightened, the devaluation of the lempira was accelerated, and steeper increases in electricity and gasoline prices were imposed in the face of mounting social unrest. The less courageous Congress, in which the president's party faction was only a minority player, delayed passage of the new taxes until the IMF and the United States made it clear that inaction would bring a halt to external funding.

The Reina government's efforts successfully reduced the fiscal deficit to 5 percent of GDP by the end of 1994. Satisfied with this achievement and with the government's future plans, the IMF signed a letter of intent that cleared the way for \$250 million in new loans from the World Bank, the Inter-American Development Bank, and the government creditor group, the Paris Club. However, the cuts in public spending, the electricity shortages, and drought-related agricultural production shortfalls had caused a severe recession in 1994 with GDP contracting by 1.5 percent and unemployment rising to more than one-third of the workforce. The inflation rate, fueled by energy price increases, food shortages, and the higher costs of imported goods, had more than doubled to nearly 29 percent. The economic results would have been worse if coffee export income had not increased more than twofold in 1994 on the strength of skyrocketing world prices. In contrast, banana export earnings fell by 20 percent because of labor disputes and restrictive European Union quotas.

Once the Liberals had set the country's structural adjustment program back on course, the economic situation began to improve. The end of the drought also relieved the government of the need to ration electricity. In 1995, the economy expanded by 3.6 percent and unemployment declined. The new taxes, improved revenue collection, cuts in the government payroll, and increases in electricity rates reduced the fiscal deficit further to 3.7 percent of GDP. However, coffee export earnings fell because of lower world prices while banana production plummeted due to flooding and plant disease. Nevertheless, total export earnings increased by 16 percent, led by nontraditional products such as textiles, tobacco, and shrimp. The government failed to reduce inflation significantly, and there was a 27 percent general price rise for 1995. Reina's economic team kept monetary policy fairly tight, but world energy price increases, domestic grain shortages, and a weakened currency undermined the fight against inflation.

The government's inability to control inflation, its delay in privatizing state enterprises, and its resistance to even deeper cuts in subsidies disappointed its Paris Club creditors. In early 1996, Honduran negotiators expected to be rewarded for their unpopular economic policies with a 50 percent reduction in the nation's \$1.3 billion debt with the Paris Club; they were shocked when only \$325

million in debt was forgiven. Paris Club representatives praised the Reina government for what it had achieved but stressed that even greater fiscal discipline and economic restructuring would be necessary to earn additional debt relief. Servicing the remaining total foreign debt of \$4.3 billion currently consumes about 17 percent of all government spending.

During 1996, President Reina was squeezed between external pressures for deeper economic reform and internal demands for higher wages and an end to price increases for electricity, gasoline, and telephone service. The Liberal government gained some political space in early 1996 by raising the minimum wage by 25 percent and reaching wage settlements with striking teachers, health care workers, and other public sector employees. Yet these responses to domestic pressures have made it more difficult to meet IMF targets for inflation and the fiscal deficit.

Honduras has set in motion plans to begin the privatization of the state telephone and electricity enterprises this year. Reina has also agreed to the partial liberalization of domestic energy prices and the passage of a new tax code with toughened penalties for tax evasion. International financial institutions have signaled their approval of these future measures and Reina's austere 1997 draft budget.

The Honduran economy continued to grow in 1996 at an approximately 4.5 percent annual rate despite the continuing decline in coffee prices. Exports from the maquiladora sector rose again despite bad press in the United States about Honduran working conditions. However, to continue this rate of growth in 1997, the Reina government will have to come closer to meeting the economic reform requirements of the international financial community. Unfortunately, compliance with IMF demands will be more politically difficult than ever, given the opposition of public sector unions to privatization and the urban population's unwillingness to see its meager standard of living eroded any further. The economic outlook was further complicated in November 1996 by extensive damage from heavy storms to banana plantations and other export enterprises in the north.

SCANDALOUS TERRITORY

Hondurans recognize that President Reina has made significant progress in curbing the power of

[T]he country appears closer to social upheaval today than at any time during the 1980s.

the armed forces, but they also hold him responsible, albeit unfairly, for the country's difficult economic situation. Fully 60 percent of the Honduran people rated the president unfavorably in recent public opinion polls. The opposing National Party has suffered from intense political infighting since leaving office and has been tainted by disclosures of unbridled corruption during the Callejas administration. Prosecutors indicted two former Callejas ministers in 1996 for embezzling huge sums from the Petroleum Stabilization Fund and placed others under investigation in the "Chinazo" scandal, a scheme to sell Honduran passports at \$25,000 each to thousands of Hong Kong residents. Callejas himself has been implicated in these and other crimes.

The Reina administration has not been free of scandal either; Liberal Foreign Minister Ernesto Paz Aguilar, for example, was jailed for his role in continuing illegal passport sales. Nevertheless, by any objective measure, the Liberal government has been far cleaner than its sleazy predecessor. Most Hondurans recognize President Reina's personal reputation for integrity even if they criticize him for not bringing the wholesale moral revolution he promised during his 1993 campaign.

What is probably most important for the average Honduran is that neither political party has been able to improve the miserable living conditions that the vast majority of Hondurans endure or to reverse the explosion in street crime. In addition, press revelations about corruption have convinced most Hondurans that all but a handful of the civilian politicians who govern them are interested only in the spoils of office. Very few appreciate the modest but real achievements of the Reina administration in redefining civil-military relations, managing the economic crisis, and reducing corruption. Consequently, large numbers of Hondurans are beginning to turn their backs on both of the traditional parties. Ignoring the Christian Democrats and other minor party alternatives, many citizens increasingly use direct action to pressure government for what they want. Urban slum dwellers, indigenous groups, peasant organizations, and trade unions have repeatedly marched on the capital and blocked

key roads to demand government assistance. Several Honduran political analysts, in fact, have observed that the country appears closer to social upheaval today than at any time during the 1980s.

Most Hondurans showed little interest in the 1996 primary election campaign that concluded in early December. As expected, 46-year-old Carlos Flores Facussé, an American-educated industrial engineer and scion of a powerful "turco" (Arab-Honduran) newspaper publishing family, easily won the Liberal presidential nomination over five opponents. As leader of the Honduran Congress, Flores is credited by many for his efforts to transform the national police into a civilian force and for attempts to soften the Reina administration's structural adjustment program. In the National Party primary, former Tegucigalpa Mayor Nora Gúnera de Melgar, who was endorsed both by former President Callejas and by unsuccessful 1993 presidential candidate Oswaldo Ramos Soto, soundly defeated three other candidates. As is usual in Honduras, these contests simply pitted rival personalist party factions against one another and were devoid of meaningful policy debate.

The upcoming contest scheduled for November 1997 will be the fifth consecutive free presidential election to be held in Honduras. Never before has this nation experienced such an extended period of peaceful electoral politics and regular executive succession. The increasing willingness of Honduran civilian politicians to abide by electoral results and the declining political interference of the military should indicate significant progress toward democratic consolidation in what was once a chronically unstable country. However, democratic consolidation requires that the mass public as well as the political elites accept the democratic process as legitimate. Unfortunately, ordinary Hondurans are beginning to lose faith in electoral democracy just as their political leaders are learning to function under its rules. Trapped in poverty, disgusted by corruption, and fearful of rising crime, many Hondurans have already concluded, perhaps too hastily, that democratic politics has little to do with them. ■

"It is time for President Clinton and Congress to recognize that threatening foreign companies that are using property confiscated from Americans in Cuba is creating more costs than benefits; the president should seek repeal of these provisions of Helms-Burton."

The United States, World Trade, and the Helms-Burton Act

PETER MORICI

On February 24, 1996, Cuban Mig-29 jet fighters gunned down two small planes in the Florida Straits flown by members of Brothers to the Rescue, a Florida-based Cuban-American humanitarian organization. President Bill Clinton, recognizing the importance of the Cuban-American vote and Florida for the November presidential elections, reacted by reversing his earlier opposition to the pending Helms-Burton Act.¹ This legislation seeks to force foreign businesses to participate in the United States economic embargo of Cuba; however, it directly contradicts international law and undermines the long-term goals of United States international economic policy.

Helms-Burton empowers the State Department to deny entry visas to the top officials and representatives of companies that use or benefit from property in Cuba that was confiscated from Americans after the 1959 revolution. This would effectively exclude these firms from exporting to, or doing business in, the United States, even if their products and activities have nothing to do with Cuba. Grupo Domos, a Mexican telecommunications company, and Sherritt International, a Canadian mining firm, have already been sanctioned.

In addition, the Helms-Burton Act gives Ameri-

can citizens and businesses the right to sue foreign companies that use or benefit from confiscated property in Cuba, and United States courts may order the assets of foreign companies seized to pay judgments. President Clinton has suspended the provisions allowing private lawsuits until August 1, 1997, while his administration tries to use this provision to leverage cooperation from foreign governments in crafting multilateral sanctions against the regime of President Fidel Castro.

Helms-Burton has provoked harsh protests from foreign governments because it is an extraterritorial application of United States law. Specifically, Helms-Burton attempts to regulate the behavior of foreign nationals outside the boundaries of the United States and violates the sovereign prerogatives of foreign governments to regulate the commerce of their citizens with Cuba.

Foreign governments do not deny that Americans are entitled to compensation for expropriated property; they correctly assert, however, that it is Cuba that owes compensation, not foreign companies now using the property. Indeed, prior to the Brothers to the Rescue incident, Secretary of State Warren Christopher had stated that granting Americans this right to sue in United States courts "would be hard to defend under international law."

Moreover, Helms-Burton imposes a secondary boycott and potentially violates many provisions of the international trade agreements administered by the World Trade Organization (WTO).² These agreements grant foreign goods and services freer and fairer access to United States markets. The European Union has filed a complaint with the WTO about Helms-Burton. For its part, the United States may claim exemption under WTO national security provisions.

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¹Enacted on March 12, 1996, the legislation's formal name is the Cuban Liberty and Democratic Solidarity Act; its sponsors were Senator Jesse Helms (R-N.C.) and Representative Dan Burton (R-IND.)

²Helms-Burton constitutes a secondary boycott because it is an attempt by the United States to penalize not only American firms that do business with Cuba, but also foreign firms that do so.

These national security provisions are vague and largely untested, making it difficult to predict how a WTO dispute settlement panel would rule. Many trade policy experts are concerned that, should the WTO rule against the United States and the United States fail to rescind Helms-Burton, a credibility crisis could result for the fledgling WTO dispute settlement process. But this is not likely.

Most American companies will not try to have foreign nationals excluded from the United States or sue foreign companies because they would undoubtedly face retaliation abroad. Hence, the damage to international commerce posed by Helms-Burton, though real, is not likely to be large. Should the United States fail to comply with a WTO decision, the WTO would authorize aggrieved countries to withdraw trade benefits from the United States equal to the value of their lost commerce. Tariffs could be raised on selected American products, but the scope of these penalties would probably not be wide.

The real dangers posed by Helms-Burton are broader. Although the cold war is over, the United States continues to shoulder substantial responsibilities for ensuring security and respect for human rights—even in places where other nations have a greater stake and adequate resources to do so. In Bosnia, for example, European leaders view American support and troops as essential to achieving a long-term solution, even though the expanded European Union has a larger economy and population than the United States. Yet with Cuba, America's allies have cultivated a brisk and profitable trade with a regime 90 miles from America's shores that has harshly suppressed human rights and has sought to export its revolution through military adventures. European, Canadian, and Latin American arguments that expanding commercial ties is the best way to foster democratic change in Cuba may have merit; however, an American humiliation in the WTO over policy toward Cuba could make congressional leaders and the American public more susceptible to isolationism and economic nationalism, less inclined to support sending Amer-

ican troops to world trouble spots, and even more skeptical and suspicious about United States participation in international institutions like the WTO and the United Nations.

MORE COSTS THAN BENEFITS

A fundamental goal of United States policy is to expand the scope of national economic practices that are subject to the disciplines of the WTO and regional trade agreements, including foreign investment policies, antitrust enforcement, labor standards, and environmental regulations. The United States has often suggested basing new international agreements on established international law and codes, or on national practices that have become customary among advanced industrialized economies. In this way, the United States has sought to make international norms binding under international trade agreements.

For example, with the North American Free Trade Agreement, the United States, Canada, and Mexico pledged to accord investors "treatment in accordance with international law, including fair and equitable treatment and full protection and security." Helms-Burton—by permitting Americans to sue Canadian and Mexican companies to obtain compensation for property expropriated by Cuba—directly violates this provision. Helms-Burton undermines America's ability to negotiate rules for trade that assure its exports and multinational corporations freer and fairer treatment abroad because it calls into question United States resolve to live by the rules it prescribes for others.

It is time for President Clinton and Congress to recognize that threatening foreign companies that are using property confiscated from Americans in Cuba is creating more costs than benefits; the president should seek repeal of these provisions of Helms-Burton. In the meantime, President Clinton should assure United States allies that he recognizes their concerns by continuing to suspend private lawsuits for periods of six months beyond August 1. ■

BOOK REVIEWS

ON LATIN AMERICA

Silent Revolution: The Rise of Market Economics in Latin America

By Duncan Green. New York: Monthly Review Press, 1995. 266 pp., \$19, paper.

There is a dangerous tendency among economists to view the free market as an end in itself, a tendency that can impede clearheaded assessment of the record of market reforms in meeting human needs. In *Silent Revolution: The Rise of Market Economics in Latin America*, Duncan Green challenges the idea that an unfettered market economy is the best and only way for a third world country to develop. Green acknowledges that the neoliberal economic programs adopted throughout Latin America since the debt crisis of the early 1980s have had some macroeconomic successes, such as controlling inflation and creating modest GDP growth and initial trade surpluses (although the removal of import restrictions resulted in a regional trade deficit again by 1992). He finds, however, that these achievements pale beside neoliberalism's negative social consequences. Green argues convincingly that for Latin America's poor—now about 200 million people, or almost half the region's population—the “invisible hand” of the liberalized market has been curled into an “invisible fist” that has knocked away “the limited gains in terms of job security and a threadbare welfare state achieved by fifty years of import substitution and political pressure.”

The bulk of *Silent Revolution* is a thorough analysis of neoliberal programs and their effects on society. In much of Latin America, these effects include a tremendous rise in poverty and inequality; stagnant wages and declining job security; the near-total collapse of domestic investment as profits either leave the country in private hands or are used to service government debt; crumbling education, health, and municipal services; strain on families, communities, and individual aspirations, with a resulting increase in crime; and a reversal of agrarian reform as large agro-export ventures receive priority for land and credit. Against neoliberals' insistence that such hardship is the necessary price of adjustment, Green offers a compelling rebuttal in a section that examines the often misunderstood experience of Asia's newly industrializing countries (NICs).

With case studies of South Korea and Taiwan, Green shows that, “far from demonstrating the virtues of liberalization and government non-interference, the East Asian NICs' successes have been based on a high level of state intervention in the economy, a fascinating duet between state and private sector, and many more restrictions on foreign capital than ever existed under import substitution in Latin America.” The key seems to have been knowing when to do what. Agrarian reform in East Asia in the 1950s created a degree of wealth and income equality Latin America has never known, and in the process expanded the domestic market for the products of fledgling industries. By the 1960s the NICs were ready to enter the global economy as exporters of manufactured goods; they have since expertly alternated export drives with selective import substitution, while maintaining an emphasis on jobs, income equality, domestic investment, and technological development. Finally, state control of the financial sector has allowed the NICs to use foreign capital without subordinating their national interests. Transnational companies may invest in South Korea only through joint ventures with Korean firms, and “[t]here are no transnationals among the top ten largest companies in either [South Korea or Taiwan].”

Green cautions against recommending the East Asian model to every country, citing the NICs' poor environmental record and the hazards of increased competition as more countries begin exporting manufactured goods. He also notes that the NICs have had political systems that have been undemocratic to varying degrees; the region has made much less progress on political and civil than on economic rights. But the East Asian experience does prove that growth with equity is possible (Taiwan has the fairest income distribution in the world), and that neither total nationalization nor wholesale privatization is as likely to succeed as a nuanced public-private partnership.

There are signs that such a hybrid approach is gaining acceptance in Latin America. The UN's Economic Commission on Latin America (CEPAL) has pioneered a school of thought called “neoliberalism” that emphasizes government intervention to foster investment in physical and social infrastructure and to redistribute wealth and land—in

short, to ensure that growth is both equitable and sustainable over the long term. Also, the left in Latin America, as elsewhere, has become increasingly willing to work within the constraints of the current economic order. Voters and nongovernmental organizations have lent their voices to the call for moderation of the severe neoliberal model. What the growing ranks of neoliberalism's critics—from leftist activists to indigenous farmers to mainstream economists—seem to agree on is the need to involve in decision making the people affected by decisions. Perhaps, as Green notes, by “turn[ing] civil society into a third partner of the market and state,” Latin Americans can begin to bridge the gaps that tragically divide them.

Douglas Watson

In the Mountains of Morazán: Portrait of a Returned Refugee Community in El Salvador

By Mandy Macdonald and Mike Gatehouse. New York: Monthly Review Press, 1995. 216 pp., \$19, paper.

During the civil war that ravaged El Salvador in the 1980s, the Morazán region, a stronghold of the guerrilla Farabundo Martí National Liberation Front (FMLN), was subjected to brutal attacks by the Salvadoran army. In 1980 and 1981, in an attempt to destroy the FMLN forces, the Salvadoran army deliberately cleared Morazán's population through aerial bombings, ground sweeps, and massacres. Most of those who survived the attacks fled to refugee camps in Honduras, where they lived for almost a decade.

Once outside the war zone and with the help of international workers and aid organizations, the Salvadoran refugees created an exile community

with its own political structures and innovative social programs—including adult literacy instruction, schooling, and job training—that became an international model. During their years of displacement, the refugees also meticulously planned their repatriation, which began in November 1989, as the first group returned to the mountains of Morazán, carrying with them every “plank of wood” from their camp in Honduras. They named their new community in El Salvador “Ciudad Segundo Montes,” after a Jesuit priest they had befriended while in exile who was later killed by the Salvadoran army.

From their many visits to Segundo Montes, Macdonald and Gatehouse, writers and researchers with a long interest in El Salvador, have produced a comprehensive, empathetic work that outlines the community's progressive solutions to the hardships the refugees faced. The challenges continued as the Salvadorans attempted to transplant and rebuild their war-torn community of single mothers, children, elderly people, and both guerrilla and army veterans in a new setting.

Disappointingly, Macdonald and Gatehouse convey this story through frequently unimaginative prose and awkwardly restructured monologues delivered by flat characters. Their sociological perspective translates into pages dense with description, while political analysis is lacking. Several small but conspicuous production errors are annoyingly evident. These criticisms aside, this meticulous chronicle provides an invaluable synopsis of the innovative solutions that Ciudad Segundo Montes has found to the universal challenges of exile, adaptation, and resettlement.

Lucien R. Sonder ■

THE MONTH IN REVIEW

December 1996

INTERNATIONAL

North Atlantic Treaty Organization (NATO)

Dec. 10—Meeting in Brussels, the foreign ministers of NATO's 16 member countries formally approve plans to include formerly Communist Eastern European nations, as yet unnamed, in the alliance; the ministers also offer to negotiate a special charter and increase military cooperation with Russia; they pledge that NATO has no plans to move nuclear weapons into Eastern Europe.

Dec. 11—Russian Foreign Minister Yevgeny Primakov accepts NATO's offer of a formal security arrangement with Russia but notes Russia's continued opposition to NATO expansion.

United Nations

Dec. 5—The Security Council votes unanimously to extend the UN peacekeeping mission in Haiti, where approximately 1,300 UN troops are stationed, until May 31, 1997; the extension may be renewed to July 31, 1997.

Dec. 11—The UN resumes aid programs in Kabul, Afghanistan after 4 UN aid workers are freed by the Taliban militants who rule the city; on November 21 the UN High Commissioner for Refugees suspended its aid programs in Kabul, citing harassment by the Taliban and the lack of security for its staff; the Taliban continues to forbid female UN staff members to work in relief programs in Afghanistan.

Dec. 13—The Security Council nominates Kofi Annan, a Ghanaian who is the current undersecretary general for peacekeeping, to succeed Boutros Boutros-Ghali as secretary general.

Dec. 15—Defense ministers from 6 European nations and Canada sign an agreement to create a 4,000-member rapid intervention peacekeeping force under Security Council control; the force is to be set up in Denmark and is scheduled to be ready by 1999.

Dec. 17—The General Assembly formally appoints Kofi Annan UN secretary general; Annan will assume the post on January 1, 1997.

AFGHANISTAN

Dec. 8—Taliban guerrillas release a UN plane they forced to land on December 7 in western Afghanistan; Syed Abdullo Nuri, a Tajik opposition leader, was among at least 9 passengers on the UN plane, which was en route from Iran to the northern Afghan province of Kunduz, where peace talks are scheduled between Nuri and Tajikistan President Emomali Rahmonov.

ALGERIA

Dec. 29—Militants from the Armed Islamic Group kill 28 people in the village of Ain Defla; hours after the massacre, a car bomb explodes in a suburb of Algiers, wounding at least 20 people; the government says 82 people have died in massacres this month.

BOSNIA AND HERZEGOVINA

Dec. 17—The defense ministers of NATO grant final approval for a scaled down, 31,000-strong US-led peacekeeping force to be

stationed in Bosnia until June 1998; the force will include soldiers from 24 other countries, including Russia.

BULGARIA

Dec. 21—Prime Minister Zhan Videnov announces that he and his entire cabinet are quitting today; Videnov, a Socialist, has been widely blamed for 2 years of economic hardship.

Dec. 22—The Socialist Party elects a new party leader, Georgi Parvanov.

BURMA

Dec. 8—Police break up student protests in Rangoon, and arrest hundreds of the protesters; they also confine prodemocracy leader Daw Aung San Suu Kyi to her house in Rangoon.

Dec. 9—Riot police disperse several hundred students protesting in Rangoon.

Dec. 12—An opposition National League for Democracy spokesman says 28 members of the party have been arrested in the last several days.

Dec. 26—The military government accuses the All-Burma Student Democratic Front and the Karen National Union, 2 insurgent groups based in eastern Burma, of carrying out 2 bomb attacks yesterday at a Buddhist temple that killed 5 people.

CAMBODIA

Dec. 19—On the 3d day of the 1st labor strike in modern Cambodian history, 3,000 garment workers, mostly women, march 6 miles from their Malaysian-owned factory to government buildings in downtown Phnom Penh to demand higher pay and better working conditions.

CENTRAL AFRICAN REPUBLIC

Dec. 14—Witnesses say that Simon Goner, the prefect of Basse-Kotto district, and his daughter were found beheaded over the past week; the murders were apparently committed in retaliation for the recent slaying of former Interior Minister Christophe Grelombe and his son by loyalist soldiers; ethnic violence has been on the rise since a mutiny by mostly Yakoma soldiers began a month ago.

CHINA

Dec. 25—A bomb wounds 5 people outside government offices in the Tibetan capital of Lhasa.

Dec. 27—The government announces that it has sentenced Fulbright scholar Ngawang Choepel to 18 years in prison, saying he had conducted espionage under the guise of filming traditional Tibetan music and dance.

Dec. 31—In a closed-door trial, a court sentences former student protest leader Li Hai to 9 years in prison for "prying into state secrets."

FRANCE

Dec. 3—A bomb explodes on a Paris commuter train, killing 2 people and seriously injuring 7; no one has taken responsibility for the bombing.

Dec. 5—A 3d person dies of wounds inflicted by the Paris bombing.

GERMANY

Dec. 13—The Bundestag approves the deployment of 2,000 peacekeeping troops to Bosnia, the first German combat-ready ground troops to be deployed outside NATO countries' borders since World War II.

GHANA

Dec. 11—President Jerry Rawlings is declared the winner of the December 7 presidential election with 57.2% of the vote; his main rival, John Kufuor, received 39.9%; Rawlings, who initially took power in a 1981 military coup, will serve a final 4-year term.

GUATEMALA

Dec. 29—In a ceremony attended by President Alvaro Arzú and foreign dignitaries that include UN Secretary General Boutros Boutros-Ghali, members of the Government's Peace Commission and the leaders of the Guatemalan National Revolutionary Unity sign an "Accord for a Firm and Lasting Peace" that formally ends the 36-year civil war; rebels from the Organization of the People in Arms refuse to appear at the ceremony, claiming that their absence symbolizes their "rejection of some of the accords"; 150 UN soldiers will be deployed to oversee demobilization of rebel troops; China has threatened to veto the UN deployment in the Security Council, citing Guatemala's diplomatic relations with Taiwan.

INDIA

Dec. 2—At a railroad station in Ambala, a bomb kills 12 people and wounds 39 on a train headed for Jammu and Kashmir; no one claims responsibility for the attack.

Dec. 12—Prime Minister H. D. Deve Gowda and Bangladeshi Prime Minister Sheikh Hasina Wazed sign a 30-year treaty to share water from the Ganges River; the river's flow has been a source of friction between the 2 countries since 1974, when India built the Farakka Barrage, a dam that Bangladesh says restricts too much water during the dry season and releases too much during the monsoon.

Dec. 19—Former Prime Minister P. V. Narasimha Rao resigns as chief of the Congress Party's parliamentary delegation; Rao is the subject of 3 separate corruption investigations.

Dec. 30—A bomb blows a train off the tracks in the state of Assam, killing at least 26 people and injuring dozens more; police suspect separatist Bodo rebels, who have recently split into factions.

Dec. 31—The death toll in yesterday's train blast is raised to 38 people.

INDONESIA

East Timor

Dec. 10—Bishop Carlos Felipe Ximenes Belo and exiled independence leader José Ramos-Horta, both from the Indonesian-occupied territory of East Timor, are awarded the Nobel Peace Prize in Oslo.

IRAQ

Dec. 10—In the northern city of Kirkuk, President Saddam Hussein formally announces the resumption of Iraqi oil sales in the international market as the 1st Iraqi oil is pumped through a Turkish pipeline; yesterday UN Secretary General Boutros Boutros-Ghali announced that a UN plan to allow the

sale of \$2 billion in Iraqi oil every 6 months to finance civilian relief had been granted final approval; the UN placed economic sanctions on Iraq in August 1990 after Iraq invaded Kuwait.

Dec. 12—Uday Hussein, son of Saddam Hussein, is wounded in an ambush by unknown gunmen in Baghdad.

Dec. 18—At a meeting of the UN Security Council, Rolf Ekeus, the head of the UN special commission overseeing the dismantling of Iraqi weapons of mass destruction, says he suspects that the Iraqi government may be hiding as many as 18 to 25 missiles; the number of missiles unaccounted for was previously estimated by the inspection team at 16; Ekeus has advised Iraqi Deputy Prime Minister Tariq Aziz that Iraq is in violation of the 1991 cease-fire agreement that ended the Persian Gulf War, a condition of which was the dismantling of Iraq's weapons of mass destruction.

Dec. 27—The French government announces that it will pull its planes out of air patrols over the protected Kurdish area of northern Iraq beginning January 1, 1997.

ISRAEL

Dec. 10—Hezbollah militants fire Katyusha rockets from southern Lebanon into northern Israel, the first cross-border shelling since an April 1996 agreement against the targeting of civilian areas on either side of the conflict; no casualties are reported.

JAPAN

Dec. 4—Former Deputy Health Minister Nobuharu Okamitsu is arrested on charges of taking about \$530,000 in bribes.

Dec. 12—After a member of the Aum Shinrikyo cult confessed to placing it there, police outside Tokyo recover a bottle containing enough nerve gas to kill 15,000 people.

Dec. 26—Former Prime Minister Tsutomu Hata breaks with the opposition New Frontier Party, which he helped to found, to form the new Sun Party; 12 other New Frontier members of parliament join Hata, leaving New Frontier with only 139 of 500 seats.

KOREA, NORTH

Dec. 29—The government issues a statement expressing "deep regret" for sending a submarine with armed commandos into South Korean waters in September, and for the loss of life that resulted.

KOREA, SOUTH

Dec. 2—A US official says that South Korea may be building a long-range cruise missile in violation of an agreement it signed with the US in 1979; the issue is being discussed in bilateral nonproliferation talks beginning today in Washington.

Dec. 3—A Foreign Ministry spokesman denies that South Korea is developing a long-range missile.

Dec. 10—The government announces that it plans to increase its military budget by 12.9% each year for the 5 years beginning in 1998.

Dec. 26—About 150,000 auto workers walk out to protest the secret passage of a law curtailing labor's power during a predawn parliamentary session at which no opposition deputies were present; later, 100 opposition legislators stage a sit-in in the National Assembly building to protest what they call a "coup d'état by a civilian government."

Dec. 27—The Federation of Korean Trade Unions joins the strike called yesterday by the outlawed Federation of Democratic Unions; nearly 350,000 workers are now on strike, making this the country's largest strike ever.

Dec. 28—Riot police clash with protesters and striking workers in Seoul, but no serious injuries are reported.

LEBANON

- Dec. 7—In the Israeli self-declared "security zone" in southern Lebanon, Hezbollah militants kill 1 Israeli soldier and wound 2 others; 6 civilians are wounded in retaliatory Israeli antipersonnel shelling aimed at an area village; a US-brokered April 1996 cease-fire bans the use of antipersonnel shells and the targeting of civilian areas by both sides in the conflict.
- Dec. 15—Israeli fighter jets fire 12 rockets into Hezbollah guerrilla outposts in southeastern Lebanon; the Israeli attack comes in retaliation for a skirmish yesterday with Hezbollah guerrillas in the security zone that killed 2 guerrillas and wounded 1 Israeli officer.

MEXICO

- Dec. 2—Attorney General Antonio Lozano Gracia is dismissed by President Ernesto Zedillo for failing to solve several high-profile political crimes; his replacement is the former head of the National Human Rights Commission in Mexico, Jorge Madrazo Cuellar.
- Dec. 15—Humberto Roque Villanueva is elected as the new leader of Mexico's ruling Institutional Revolutionary Party; party head Santiago Oñate Laborde resigned last week.

PAKISTAN

- Dec. 4—A bomb explodes in a bank in Karachi, injuring 28 people; yesterday a car bomb injured 12 people in Lahore.
- Dec. 5—The Foreign Ministry announces that China will build a 2d nuclear power plant in Pakistan; yesterday Chinese President Jiang Zemin concluded a 4-day visit to Pakistan.
- Dec. 18—Prosecutors charge Asif Ali Zardari, the husband of ousted Prime Minister Benazir Bhutto, with the September 20 murder of Bhutto's estranged brother and political opponent, Murtaza Bhutto.

PALESTINIAN AUTHORITY

- Dec. 5—The Palestinian Authority announces it is conducting an inquiry into the death of Rashid Fityani, a Palestinian who died last month while in Palestinian police custody; Fityani is the 10th prisoner to die in Palestinian police custody since the force was created in 1994.
- Dec. 12—Citing its opposition to Israeli settlement policies, the Popular Front for the Liberation of Palestine, a militant opponent of the Middle East peace accords, claims responsibility for the attack yesterday that killed 2 Jewish settlers and wounded 5 others; Palestinian officials say 7 members of the organization have been arrested today in connection with the attack.
- Dec. 21—In the West Bank city of Hebron, Israeli soldiers intervene in a fight between 100 Palestinian residents and 200 Israeli settlers near Hebron's Old City; under Israeli-Palestinian self-rule accords, Israeli soldiers were to withdraw from Hebron and the city was to be governed by the Palestinian Authority, but in the wake of terrorist attacks against Israelis in February and March, Israeli withdrawal from Hebron was delayed, and talks on the status of Hebron have been deadlocked.
- Dec. 24—At the Erez border crossing on the Gaza Strip, Israeli President Benjamin Netanyahu and Palestinian Authority President Yasir Arafat meet to discuss the delayed Israeli military withdrawal from Hebron.
- Dec. 30—Dennis Ross, the US special envoy to the Middle East, meets separately with Arafat and Netanyahu to continue negotiations for Israeli withdrawal from Hebron.

PERU

- Dec. 7—The government announces that Elizabeth Cárdenas Huayta, the second-ranking official of the Shining Path guerrilla group, was arrested this week in Ayacucho.

- Dec. 17—Rebels from the Túpac Amaru Revolutionary Movement, a Marxist group, infiltrate a reception at the Japanese embassy in Lima and take as many as 600 people hostage, including several ambassadors, the Peruvian foreign minister, and President Alberto Fujimori's brother.
- Dec. 18—The rebels announce that they will start killing their hostages unless the government agrees to release members of the revolutionary group from prison; at least 200 women and elderly people have been allowed to leave, and 4 foreign government officials have been released to negotiate on behalf of the hostages.
- Dec. 20—The guerrillas free 38 more hostages.
- Dec. 21—In a nationally televised statement, President Fujimori says the government would consider letting the guerrillas leave the compound safely if they free all the remaining hostages and give up their weapons; the president has refused to speak directly with the rebels and has been relying on mediators, such as the Red Cross.
- Dec. 22—In a "Christmas gesture," guerrillas release 225 hostages, including 7 US embassy officials, from the residence of the Japanese ambassador.
- Dec. 24—A Japanese diplomat in ill health is released by the rebels; the Red Cross reports there are 103 people still being held captive in the ambassador's residence.
- Dec. 25—Bishop Juan Luis Cipriani of Ayacucho, an ally of Fujimori, makes a 6-hour visit to the compound.
- Dec. 28—In the 1st apparent direct negotiations between the government and the Túpac Amaru rebels, Peru's education minister and chief negotiator, Domingo Palermo, enters the compound; 20 minutes later, the guerrillas release 20 hostages, including the Malaysian ambassador, Ahmad Mokhtar, and Ambassador Díaz Valdeparés of the Dominican Republic; ambassadors from Bolivia, Honduras, and Japan remain captive, along with 80 other hostages, including 2 cabinet members, more than 20 senior police and military officers, 5 congressmen, and several Supreme Court judges.
- Dec. 29—Palermo reports that his meeting with Túpac Amaru leader Néstor Cerpa Cartolini has encouraged "advances toward the solution of this grave incident"; since the meeting, rebels have modified their original demands from ordering their comrades' release from prison to calling for better prison conditions.
- Dec. 31—The guerrillas release 2 hostages, reducing the total number being held to 81; Cerpa says little progress has been made in the negotiations.

RUSSIA

- Dec. 6—In St. Petersburg, 400 nuclear power plant workers gather at the plant in a protest over unpaid back wages; on December 4, more than a dozen workers seized control of the plant and threatened to shut it down if their wages were not paid; several hours after the beginning of today's protest, the government sent more than 1 billion rubles to St. Petersburg and promised to pay the rest of the wages within 1 week.
- Dec. 11—The Coal Workers Union votes to end a nationwide coal strike that began December 4 in which approximately 400,000 miners took part; on December 6 the Russian government promises to pay by the end of this year approximately \$400 million owed in unpaid back wages to Russian miners.
- Dec. 15—The IMF resumes partial disbursement of a \$10.1 billion loan to Russia it suspended in October because of government inaction on tax reform; the IMF will pay the October installment of \$336 million but has yet to decide on whether it will pay the November and December installments.
- Dec. 17—In the Chechen village of Novye Atagi, 6 Red Cross workers are killed and another is wounded in a dawn attack by masked gunmen at a hospital compound operated by the

organization; the Red Cross and the several other remaining aid organizations in Chechnya evacuate all foreign personnel in response to the attack.

Dec. 20—The Chechen separatist government's security service tells the Itar-Tass news agency that it has detained several suspects in connection with the December 17 killing of Red Cross workers and that it believes the killings were politically motivated.

Dec. 27—Former national security adviser Aleksandr Lebed announces his formation of a new political party, the Russian Popular Republican Party; Lebed, who ranked 3d in this year's presidential elections, was dismissed from the post of national security adviser in October.

In Moscow, President Boris Yeltsin meets with Chinese Prime Minister Li Peng for a 2d day to discuss trade issues and announces plans to decrease the number of troops deployed on the Sino-Russian border; Li has also met with Prime Minister Viktor Chernomyrdin, who promised a \$2.5 billion loan to China to build a nuclear power plant.

RWANDA

Dec. 24—A UN spokeswoman says the organization has documented the arrests of 2,350 Hutu refugees returning from Zaire and Tanzania over the last 2 months; most of the more than 87,000 Rwandans currently being held on suspicion of having taken part in the 1994 genocide are being detained without proper arrest orders.

SERBIA

Dec. 3—President Slobodan Milosevic shuts down the radio station B-92, Belgrade's last independent news outlet; protesters have gathered in Belgrade by the tens of thousands every day since the president annulled opposition victories in November 17 municipal elections.

Dec. 4—The US State Department says Serbian Foreign Minister Milan Milutinovic has promised that his government will not use force to repress the ongoing antigovernment protests; the US warned Serbia yesterday that a use of force would preclude the possibility of removing economic and political sanctions on Serbia.

Dec. 5—The government allows B-92 to resume broadcasting, promises to pay overdue pensions and student loans and grants, and announces the resignations of several unpopular party leaders; the head of Belgrade's election commission says the commission has asked the courts to reexamine the annulment of local election results.

Dec. 6—Information Minister Aleksander Tijanic resigns, saying he was not consulted about the decision to close the news radio station B-92.

Dec. 8—The Supreme Court announces that it has upheld the government's annulment of an opposition victory in local elections in Belgrade.

Opposition leader Zoran Djindjic says plainclothes police have stepped up their efforts to arrest leaders of the daily demonstrations in Belgrade; he says 40 have been detained in the past several days.

Dec. 9—Some 100,000 protesters march in Belgrade, beginning the third week of antigovernment demonstrations.

Dec. 13—In the largest antigovernment demonstration in 3 weeks, 200,000 protesters march in Belgrade.

Dec. 17—As 200,000 people again march in Belgrade, Milosevic meets with student protesters and promises a judicial review of documents the students say prove that the opposition won election in 17 cities; Milosevic also invites the Organization for Security and Cooperation in Europe (OSCE) to review the election results.

Dec. 22—Opposition leaders announce the formation of the Union of Free Cities and Municipalities of Serbia, a coalition of

the 30 municipalities already governed by the opposition and officials from 14 municipalities who say they were robbed of victory by the government in the recent elections; Zoran Djindjic, an opposition leader, says the new coalition is intended not to oppose Milosevic but to prepare for a peaceful transition when the opposition assumes power.

Dec. 24—Pro- and anti-Milosevic demonstrators clash in Belgrade, leaving 58 people wounded; 50,000 regime supporters had been bused into Belgrade from around the country (although some reported being threatened with job loss if they did not go); between 200,000 and 300,000 people take part in the opposition demonstration; in his 1st public appearance since the unrest began over a month ago, Milosevic accuses the opposition of being traitors who want to break up "strong Serbia."

Dec. 26—Defying last night's Interior Ministry warning that protests would be banned today, some 60,000 antigovernment demonstrators take to the streets of Belgrade.

Dec. 27—OSCE representative Felipe González reports that his fact-finding mission has found that the opposition coalition won the November 17 elections in 13 cities and in 9 districts of Belgrade; González calls on the government to respect the results, warning that if it does not it will face further international isolation; Serbian Foreign Minister Milan Milutinovic calls the report "good, constructive, and very balanced."

Hospital officials announce that opposition supporter Predrag Starcevic died 3 days ago after being beaten by Milosevic supporters during clashes in Belgrade.

Dec. 29—A letter from military officers expressing solidarity with the protesters is read at an opposition demonstration in Belgrade.

SIERRA LEONE

Dec. 1—*The New York Times* reports that the government of Sierra Leone and Revolutionary United Front leader Foday Sankoh have signed a peace treaty ending a 5-year civil war.

SOMALIA

Dec. 18—Fighting in Mogadishu over the past 5 days has killed at least 300 people, mostly civilians; faction leader Hussein Mohammed Aidid's supporters have been battling the allied forces of Mohammed Ali Mahdi, Osman Hassan Ali Atto, and Musa Sudi Yalahow; peace talks convened in Ethiopia on November 29 have stalled.

SOUTH AFRICA

Dec. 4—The Constitutional Court approves a new constitution, completing the transition from white supremacy to nonracial democracy; the constitution includes a bill of rights, a host of social and economic rights for adults and children, and a provision outlawing the death penalty; the document creates a federal system of 9 provinces, with a strong central government led by a powerful president with a 2-chamber legislature.

Dec. 13—President Nelson Mandela agrees to allow the Truth and Reconciliation Commission to grant amnesty for acts committed until May 10, 1994, the day of his inauguration; the commission had previously been allowed to grant amnesty only for acts committed before December 10, 1993, a deadline that excluded the many right-wing extremists who violently opposed the transition to nonracial democracy.

Dec. 24—Two bombs kill 3 people and injure at least 50 in a shopping area in Worcester, a farming town in the southwestern part of the country; no one claims responsibility for the attacks.

SUDAN

Dec. 8—Rebels led by Kerubino Kwanyin Bol release 3 aid workers they had been holding hostage since November 1; the release of the hostages, 1 of whom is an American, was negotiated by US Representative Bill Richardson (D.-N.M.) and Sudanese government officials; the rebels continue to hold hostage 5 wounded members of a rival faction led by John Garang.

SWITZERLAND

Dec. 31—President Jean-Pascal Delamuraz says calls by the World Jewish Congress for a compensation fund for Jews with claims on money deposited in Swiss banks during the Holocaust are "blackmail."

SYRIA

Dec. 31—In Damascus, 9 people are killed and 44 are wounded when a bomb explodes on a passenger bus; no one takes responsibility.

TAIWAN

Dec. 5—Foreign Minister John Chang announces that Taiwan will cancel all foreign aid to South Africa, suspend most treaties, and recall its ambassador; on November 27 South African President Nelson Mandela announced that his country would transfer diplomatic recognition from Taiwan to China beginning in 1997.

TAJIKISTAN

Dec. 23—In Moscow, Tajik President Emomali Rahmonov and Tajik rebel leader Syed Abdullo Nuri sign a cease-fire

agreement, promising continued talks by both sides in Tajikistan's 4-year civil war, the establishment of a national reconciliation commission, and a final peace accord by July 1997.

TANZANIA

Dec. 5—The UN and the Tanzanian government order the approximately 542,000 Rwandan Hutu refugees in Tanzania to return to Rwanda by December 31.

Dec. 12—Some 320,000 Rwandan refugees from 4 camps near the town of Ngara, in western Tanzania, begin walking east, away from Rwanda, in apparent determination to defy the government's order that they return to Rwanda.

Dec. 13—Soldiers force most of the refugees who left camps yesterday to return.

Dec. 14—Soldiers and police officers force tens of thousands of refugees to begin walking toward Rwanda.

Dec. 16—More than 100,000 refugees cross into Rwanda.

TURKEY

Dec. 25—Prime Minister Necmettin Erbakan says he will send State Minister Fehim Adak to Washington to pledge friendship and clear up "misunderstandings" with the US, which has expressed concern over Erbakan's pan-Islamic ideas and visits to Libya and Iran.

Parliament votes 255 to 217 to allow US planes that are part of the allied air patrols over northern Iraq to use air bases in southern Turkey for the mission.

Dec. 26—A federal police official testifies before a parliamentary commission that he knows of a case in which a police informer was turned over by police to Abdullah Catli, a leading crime boss, and never seen again; the testimony is the latest in a scandal that has erupted since the November 3 death of Catli

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and a senior police official in a car crash; questions about what the 2 were doing together have given rise to allegations that recent governments have been involved in death squad activities, harboring terrorists, extortion, and heroin deals.

UNITED KINGDOM

Great Britain

Dec. 6—Parliament member Sir John Gorst withdraws his support of Prime Minister John Major's Conservative Party; the announcement deprives the Conservatives of their 1-seat majority in the 651-seat House of Commons, but does not threaten their control of the government because they are supported by the 9 Ulster Unionist members of parliament.

Hong Kong

Dec. 11—Businessman Tung Chee-hwa is endorsed by an electoral college handpicked by Beijing to become Hong Kong's first chief executive when the territory reverts to Chinese rule July 1, 1997.

Dec. 17—In his 1st address since being chosen chief executive, Tung Chee-hwa pledges to preserve Hong Kong's British-style legal system and to resist Chinese efforts to gain special economic privileges in the territory.

Dec. 21—In Shenzhen, China, a 400-member committee handpicked by Beijing from Hong Kong's business and political elite selects 60 members for the new legislature to replace the current Legislative Council on July 1, 1997; Hong Kong's Democratic Party boycotts the process and holds street protests, while Governor Chris Patten denounces the procedure as "a bizarre farce."

UNITED STATES

Dec. 4—The US begins evacuating to Turkey between 4,000 and 5,000 Kurds and Iraqis working for private aid organizations in northern Iraq; before being resettled in the US, the evacuees are to stay at a US air base in Guam, as did the two previous groups of evacuees from northern Iraq: 2,100 Kurds who were direct employees in US military and relief operations in northern Iraq, and 600 US-supported Iraqi dissidents.

Dec. 5—President Bill Clinton nominates Madeleine Albright to become secretary of state; if confirmed, Albright would be the 1st woman to serve in such a high-ranking US government post.

Clinton nominates Senator William Cohen, a Republican, for secretary of defense; other Clinton nominations today

include national security adviser Anthony Lake for director of the Central Intelligence Agency.

Dec. 9—In Washington, President Clinton and Defense Secretary William Perry meet with General Chi Haotian, the Chinese defense minister; Chi leads the highest-ranking Chinese military delegation ever to visit the United States, which has undertaken a 2-week visit to discuss Chinese sovereignty over Taiwan and Hong Kong and security on the Korean Peninsula, as well as military and human rights issues.

Dec. 18—At a Quantico, Virginia, FBI training academy, officials arrest Earl Edwin Pitts, an FBI supervisor, on charges of espionage for Russia; if convicted, Pitts could be sentenced to life in prison.

Dec. 30—The US announces that North Korea has agreed for the 1st time to enter talks with South Korea and the US about formally ending the Korean War.

ZAIRE

Dec. 2—Rebel leader Laurent Kabila says his forces have taken 2 towns, Beni in the north and Kamituga in the south, causing government troops to flee westward; a rebel lieutenant says the mostly Tutsi rebels have entered Kisangani, the largest city in eastern Zaire, but the government denies this and accuses Uganda of invading the country.

Dec. 3—At a meeting of Central African leaders in Brazzaville, Congo, Zairian Prime Minister Leon Kengo wa Dondo accuses Rwanda, Burundi, and Uganda of backing the rebels and vows that Zaire will recover its lost territory "whatever the cost."

Dec. 10—After looting, destroying homes, and allegedly killing 3 Greek businessmen and more than 100 Zairians, government troops flee Bunia, the last major government-held city in northeastern Zaire, without a fight; rebel forces now control more than 31,000 square miles on the borders with Uganda, Rwanda, and Burundi.

Dec. 11—UN officials announce that the Red Cross and the UN World Food Program have begun airlifts to some 100,000 Rwandan and Burundian refugees recently found in Shabunda, 100 miles west of Bukavu, in eastern Zaire.

Dec. 17—President Mobutu Sese Seko returns to Kinshasa after 4 months in Europe for cancer treatment.

Dec. 18—Mobutu names General Mahele Bakoungo Lioko chief of staff of the armed forces.

Dec. 24—Mobutu supporters and opposition leaders announce agreement on a new "crisis government" that retains Prime Minister Leon Kengo wa Dondo; critics have charged Kengo with mishandling the government's response to the rebellion in eastern Zaire. ■



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